5th YEAR

THE MAGAZINE OF WALL STREET

DEVOTED TO SCIENTIFIC INVESTMENT

Politics and the Investment Market
By C. M. Keys

Making Your Idle Bank Balances Pay
By W. Martin Swift

Building Your Future Income
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Bond Buyer's Guide
Bargain Indicator on Stocks
Investment Digest
Essential Statistics
Situation Summarized

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CHARLES HAYDEN

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THE MAGAZINE OF WALL STREET
(FORMERLY THE TICKER AND INVESTMENT DIGEST)

INVESTMENT: The placing of capital in a more or less permanent way, mainly for the income to be derived therefrom.
SPECULATION: Operations wherein intelligent foresight is employed for the purpose of deriving a profit from price changes.

Vol. 10 JULY, 1912 No. 3

Politics and the Investment Market

By C. M. KEYS

IN April, May and June the investment business in New York markets lagged badly. New issues of standard sort were rare and those that did appear seemed to stay on the counters unduly long. The star city salesmen of the big underwriting houses spent a good deal of time visiting around among the retail dealers in bonds and stocks telling hard-luck stories of business that did not amount to anything worth while.

The standard explanation of the situation was that it is a political year, and that men are not buying bonds and stocks, because of the political uncertainty. It is a trite and easy explanation. I cannot see that it explains very much.

In the listed market for stocks undoubtedly the political circus has the attention of the country. The outcome, too, seems to hold little promise for the speculative fraternity, no matter what it may be. Of course, it is taken for granted that, when somebody has won, the semi-professional trading class will resume its interrupted business and take up some of the lamentable slack in stock market affairs; but this is hardly an investment consideration at best.

The causes that have contributed to the making of conditions in the investment market lie a little deeper and may be a little more serious. In the first five months of the calendar year, a little more than $900,000,000 of investment securities, using the phrase in its broadest sense, was absorbed by the investment public in the United States. In that same period only about $100,000,000 of refunding was accomplished, leaving a net amount of about $800,000,000 of capital raised in the investment markets.

The conditions that surrounded this task of distribution were not of the happiest. The gilt-edge portion of the financing—such issues as the branch line bonds of the Northwestern for instance—went into well-worn channels. They did not slide through these channels with their accustomed ease. It is probably true that a larger proportion

of the gilt-edge bonds sold this year are still undigested, that is, still waiting for their final buyers, than of any other class of underwriting.

Second and third class railroad securities, such bonds as the Atchison divisional lines, the Virginian issue, the Rock Island debentures, have been sold under quite unusual pressure. Odd and casual issues, the Tokio bonds for example, are mostly lingering in first and second hands, awaiting some chance public movement to take them away.

In the distribution of all these classes of securities there has probably been a great deal more trading than would have been necessary under happier circumstances. The underwriters have been obliged, in order to get things moving, to offer profitable trades to the public, with the result that the listed market for bonds has been under constant pressure. This pressure has probably been most acute in the better classes of listed bonds, with the result that at the end of May the average of prices for the standard issues was, proportionately to their market character, the lowest average of prices in the bond market.

In all this new financing and making of markets for new sorts of railroad, industrial and public utility issues a new competition has been felt. The issues of industrial preferred stocks, warmly encouraged by the banking houses because they meet the new and strange demand on the part of the people for a very high rate of income, have, without doubt, curtailed the normal public demand for standard investment securities. It is extremely puzzling to the individual investor the first time he receives a warmly eulogistic letter from his conservative banker offering a seven per cent. security. If he tries it once, he usually ends up by being a good seller of standard bonds. Undoubtedly, quite a bit of real liquidation of standard bonds and old-fashioned stocks paved the way for the easy and sudden distribution of the new and modern industrial issues of this past year.

None of these phenomena had anything to do with politics. The cost of living is the mainspring of the desire for high income; the desire for high income is the main reason for the liquidation of standard bonds; and the liquidation of standard bonds by the public is the main reason for the apparent softness of the investment market. Nobody blames the coming election for the high cost of living.

The diminishing buying power of the coupon on the bond is the only disease from which the investment market suffers at the moment; unless, indeed, a little passing indigestion classes as a disease. This dwindling of purchasing power is quite beyond remedy so for as Wall Street is concerned. All that Wall Street can do is to attempt to meet passing conditions. If the public will not buy gilt-edge bonds at four per cent., and if the railroads will not sell gilt-edge bonds at five per cent., the natural and obvious method of treatment for the occasion is to give the public something else, carefully chosen public utility bonds, timber bonds, industrial stocks, industrial bonds, junior railroad issues. If they look "just as good" and if they taste a good deal better to a people hungry for more income, that is the answer.

In my judgment, given merely as an offhand opinion for what it may be worth, the real political issue of the next administration has barely been mentioned in the hurly-burly of a mudslinging campaign. It is this same question of the cost of living. There is an old German saying that no tree ever grows quite to the sky; but it is not possible at this writing to see what can be done to prevent the continued rise in this item of living necessity, for the individual, for the corporation, for the Government, for the city. Unless all signs fail, the next administration will meet this issue face to face. The coming period in the investment market, that is, the bond business of Wall Street, depends almost directly upon what answer the political world will make to this dangerous economic question.

All the financing of 1912 has been accomplished on an average rate of interest or dividend well up to, if not over, five and one-half per cent. The issues during the month of May, almost without exception, paid five per cent. or more. If the average of commodity prices during the next twelve months duplicates the performance during the past twelve

months, it is not at all out of the way to figure that possibly the average rate of interest or dividend paid on the capital raised during the year 1913 may be well up to six per cent. per annum. Obviously the investment world awaits developments in an economic problem quite beyond its own control.

I have been asked to touch in this article upon some of the main factors that create this condition and that have brought the investment world face to face with the problem of the high cost of living. This task has been performed many times by writers much better qualified than I am to perform it. Yet there are one or two points that may well be brought out anew in every article dealing with investments and the cost of living.

The fact is that while the world-wide cost of living has advanced about 25 per cent., the cost of living in the United States has advanced about 40 per cent. The economists have demonstrated that the world-wide advance is due in large part primarily to the increase of gold production. It is quite obvious, however, that if this may be taken to be true in a general sense, it does not explain why in the United States the increase has been 50 per cent. faster and greater than throughout the rest of the world. We can do little politically to check a world-wide tendency. Certainly we cannot close the gold mines of the Rand or in any other way interfere with the output of gold.

The American problem, therefore, resolves itself into finding out as well as we can and remedying as best we may, the peculiar causes that have caused the excess of increase in this overhead cost in the United States as compared with foreign countries. In a broad way most students put it down to national extravagance. This extravagance shows itself not only in an excessive and dangerous tendency toward the purchase of luxuries, toward fine living on the part of men and women of limited earning capacity and toward the promiscuous throwing away of money, but also in an apparent indifference toward the methods that have been used in other countries to cut down and curtail the ordinary daily routine expenses of life, namely, food, clothing, fuel and other basic items of expense.

The handling of business from producer to consumer costs more in the United States than in any other country in the world, except, of course, small isolated countries. The farmer of the United States pays more for the money he borrows on his farm or his products than is paid by any other farmer in a great agricultural country. The same farmer wastes more money in getting his crops to market and in hauling his purchases from the railroad to the farm than is paid in any other highly civilized and well settled country in the world.

These are all excessive taxes which are peculiar to the United States and all can be remedied in the course of time by statesmanlike administrative methods. They will not be remedied, however, or even partly remedied, until we have a political administration in Washington fully aware of the task which it has undertaken and completely backed up and supported by public sentiment. Today public sentiment is so apathetic and so poorly organized that even in the first step of tariff reform it cannot hold the lists against the champions of special interests in trade and commerce. It will probably be many years before the absolute needs of the nation force the tremendous and quite possible economy that could be affected by a decent system of co-operative buying and selling, a well balanced system of agricultural banking, a sweeping revision of tariff in necessary items of living and a general policy of building economical roads in the agricultural regions of the country.

There is no cure-all for the high cost of living. If we must have a quick and sudden adjustment, the only known remedy is a revolution or sweeping destructive panic, running for a sufficiently long time to glut the market with unemployed labor, to educate the nation in economy, and to destroy all the extravagant habits of the people as a whole. We have not gone so far as to need any such remedy. What we do need is a slow constructive development along the lines of national economy and elimination of unnecessary waste.

The Railways and Their Cost of Living

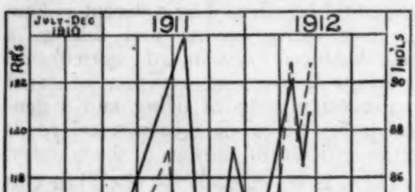
How the Roads Are Working Out Their Problems

By WILLIAM T. CONNORS

A NOTICEABLE feature of the recent market has been the relative heaviness of railway stocks as compared with industrials and specialties.

This tendency is quickly seen by a glance at the accompanying diagram. The low point for the average price of 20 railway stocks in 1910 was 105.6. At the same time the 12 industrials touched bottom at 73.6. In the following 14 months, which included a bull market and a bear market, the industrials lost ground as compared with the rails, declining to 72.9 September 25, 1911—a shade lower than the lowest price of 1910; while the railways lacked four points of reaching the low price of 1910.

During the ensuing bull market, however, up to June 6, 1912, the 12 industrials rose 18 points, while the railways were, on that date, only 11 points up. Most of the prominent railway stocks lagged behind on the advances, and grew noticeably heavy on declines.



RAILWAY AND INDUSTRIAL AVERAGES COMPARED.

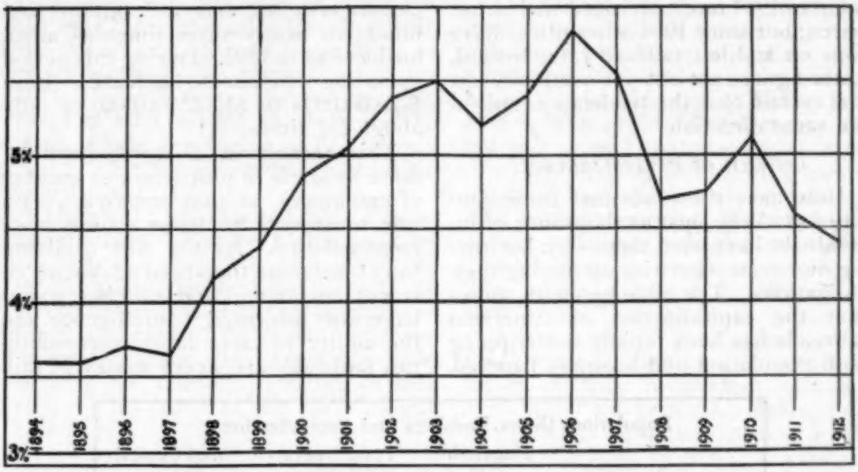
As usual, there were several reasons for this phenomenon; for it is rare that a stock market situation can be wholly explained by the action of any single factor. But the second diagram herewith strikes pretty close to the root of the matter. It shows the per cent. of net earnings to total capitalization; or, in other words, the rate of interest the roads could pay on all their bonds, stocks, equipment notes, etc., taken together, if all earnings were applied to that purpose.

During the dull times from 1894 to 1897, the per cent. of net earnings to capitalization was nearly stationary at 3.6 to 3.7. Then came the extraordinary boom which ended in the collapse of 1903, showing a continuous advance in this per cent. to 5½ for the fiscal year ending June 30, 1903.

A still higher point was touched in 1906, 5.8 per cent. The dull times of 1908 brought a reaction to 4.7 per cent., and the loss was only partially recovered in 1910, at 5.1 per cent. Then came simultaneous advances in wages and reductions in rates, causing a decline to 4.6 per cent. for 1911 and 4.4 per cent. (partly estimated) for the fiscal year ending June 30, 1912.

Since more than half the capitalization is represented by bonds or other funded debt—about ten billion dollars in 1910, against eight billion dollars of stocks—and since the interest on the bonds must be paid in full before the stocks can get any dividends, the decrease in the net earnings applicable to the payment of dividends on stocks has, of course, fallen much more than the decline in the per cent. of net to the entire capitalization.

Assuming an average rate of 4½ per cent. on the entire funded debt, the earnings applicable on all railroad



PER CENT. OF NET RAILWAY EARNINGS TO TOTAL CAPITALIZATION, 1894 TO 1912.

stocks in 1906 were about 7.3 per cent., and promise to be approximately 4.3 per cent. for the fiscal year ending June, 1912.

This situation is not primarily due to any decline in total business handled. Taking the gross earnings of ten leading roads (Babson's figures) as an example, we find that they were $784,000,000 for the calendar year 1911, against $623,000,000 in 1906, the year when the per cent. of net to capitalization was the largest.

The business of the roads, as measured in dollars, has continued good. Even during the last two years, when the per cent. of net to capitalization has shown the sharpest drop, gross earnings have nearly held their own. According to the figures of the Bureau of Railway Economics, total operating revenues for the fiscal year 1911, decreased only 0.8 per cent. from 1910, and for nine months of 1912, the decrease from the corresponding nine months of 1911 was only 0.4 per cent.

The fundamental difficulty is that gross earnings have remained practically stationary while everything else has risen in price. The cost of living, as measured by Gibson's Index, advanced from about 106 in May, 1911, to 123 in May, 1912—a gain of over 16 per cent. Likewise Bradstreet's average of wholesale prices rose from 8.46 in May, 1911, to 9.27 in May, 1912, or 9½ per cent.

Perhaps the latter figure is the more accurate as applied to the railways, as their principal expenses—for materials and wages—have not risen as much as the cost of living for the average family.

This condition is not peculiar to America. The rise has been equally great in England and in Germany, as shown by index figures compiled in those countries.

The railroads are in the same fix as all the rest of us—stationary income and increasing expenses. The roads have not been able to increase the price of their product—transportation—in proportion to the advance in other prices. This is quickly seen from the average rates of all roads in the United States:

	Revenue per passenger per mile.	Revenue per ton per mile.
	Cents.	*Cents.*
1899	1.978	.724
1900	2.003	.729
1901	2.013	.750
1902	1.986	.757
1903	2.006	.763
1904	2.006	.780
1905	1.962	.766
1906	2.003	.748
1907	2.014	.759
1908	1.937	.754
1909	1.928	.763
1910	1.938	.753

Up to 1904 rates advanced with other prices; but since 1904 other prices have gone on and left railroad rates behind. Later figures are not yet available, but it is certain that the tendency is still in the same direction.

GROWTH OF CAPITALIZATION.

How have the roads met these conditions? Why, just as thousands of individuals have met them—by borrowing money or otherwise increasing their obligations. The table herewith shows that the capitalization of American railroads has been rapidly outstripping both population and business handled.

Population, Gross Earnings and Capitalization.

	Population of U. S. Millions.	Total Operating Revenues. Millions.	Total Capitalization. Millions.
1905	84	$2,082	$13,805
1906	86	2,326	14,570
1907	87	2,589	16,082
1908	89	2,394	16,767
1909	90	2,419	17,488
1910	92	2,751	18,417
1911	94	2,730	18,740*
Per cent. increase, 1911 over 1905	12%	31%	36%
Per cent. increase, 1911 over 1907	8%	5%	16%

*Approximate.

It is noticeable that the rate of increase in capitalization has not been as rapid since 1910 as it was from 1905 to 1910. Apparently a dangerous tendency has at least been checked.

WAGES.

During the last twenty years there has been a great advance in the operating efficiency of American railroads. This has been accomplished by improving roadbeds and cutting down grades, increasing the train loads, substituting heavier rails, using larger locomotives and cars, and in all departments using the machine instead of the man wherever possible.

The average train load, for example, rose from 177 tons in 1890 to 380 tons in 1910. In 1895, the total business of all roads amounted to about 12 billion passengers carried one mile, and 85 billion tons of freight carried one mile. In 1910 this had grown to 32 billion passenger-miles and 255 billion ton-miles—or nearly three times as much business as in 1895. During this period operating expenses increased from $725,000,000 to $1,822,000,000, or only about 2½ times.

This means, in a word, handling more business in proportion to number of employees; so that employees, as a rule, must work harder or assume more responsibility. As the cost of living has at the same time been advancing, it is not surprising that railroad wages have also advanced. Intelligence and the ability to carry large responsibilities faithfully are worth money in railroading just the same as any other kind of business.

In agitating for higher rates, the railways naturally emphasize the increases in wages as a reason; but there are really three almost equally important causes for the decline in net earnings —increased capitalization, greater cost of all materials, and higher wages to employees.

From June 30, 1910, to June 30, 1911, the total number of employees on the railroads increased about 2 per cent., but total wages paid increased 5 per cent., and this increase in wages was more than double the increase in gross earnings for the same period. But the increase in wages during this year was exceptionally great.

MAINTENANCE.

Under the above conditions, it is natural to expect that the roads would economize in maintenance of way and

structures, and this we find has been the case. For the calendar year 1910, the roads expended 13.3 per cent. of gross earnings in maintenance; for 1911, 12.7 per cent.; and for the first three months of 1912, 11 per cent—the latter figure comparing with 11.4 per cent. for the corresponding three months of 1911.

The roads are charged with substituting cheap labor for highly paid labor wherever possible, with resulting injury to excellence of the service. It is also asserted that rail replacement is being neglected. The *Journal of Commerce* publishes the following table showing the ratio of purchases of new rails by all roads to the total freight business:

	Purchases of Rails.	Approximate Tonnage of Rails.	Freight Business.*	Ratio.
1901....	$17,279,453	595,843	148,959	4.00
1902....	16,978,147	585,453	156,624	3.73
1903....	17,429,490	601,017	171,290	3.50
1904....	17,378,870	599,271	172,613	3.47
1905....	18,300,322	631,045	187,376	3.31
1906....	22,008,078	758,899	216,654	3.50
1907....	19,980,486	688,982	236,601	2.91
1908....	13,995,974	482,619	218,381	2.20
1909....	15,529,428	535,497	218,803	2.41
1910....	16,827,447	580,257	255,017	2.27

*In millions of ton-miles.

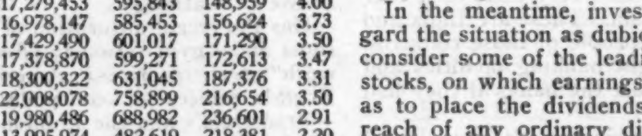
In this connection it should be remembered that rails in use in 1910 averaged much heavier than those in use in 1901, so that they would naturally wear out more slowly, and less replacement would be necessary. Nevertheless, it must be admitted that the roads, as a whole, are pinching a little on maintenance wherever they find it possible.

The solution of these railroad problems is not a matter that is of interest only to a few large capitalists. The number of stockholders in the railways of the United States is, according to recent figures, about 390,000, the average holding being 140 shares each. Moreover, the property of the entire country is bound up with that of the railroads. And without question, the people as a whole desire to give the railroads a "square deal" in the matter of rates. The whole question is, What is a square deal?

It is a foregone conclusion that the roads must be permitted to earn a fair return on their investment, otherwise new capital will seek other fields. From this point of view the question will, in fact, settle itself in time. If capital is discouraged from investment in new roads, all increase in business with the growth of population must go to lines now existing, and this will eventually raise their earnings to the profit-yielding point again.

In the meantime, investors who regard the situation as dubious may well consider some of the leading preferred stocks, on which earnings are so large as to place the dividends beyond the reach of any ordinary difficulties. A few of these, all yielding from 4½ to 5 per cent. on present prices, are as follows:

	Amount Outstanding.	Div. Rate.	Earned 1911, %
Un Pac.......	$99,569,300	4	40.1
Reading 1st...	28,000,000	4	28.3
Nor & West..	22,991,700	4	33.1
P C C & St L	27,476,150	5	16.3
B & O........	58,863,974	4	12.3
Omaha	11,259,912	7	25.1
Soo	12,603,400	7	14.5
Atchison	114,199,500	5	18.7
St Paul.......	116,274,900	7	14.0
N Y C & St L 1st.......	5,000,000	5	37.1
C C C & St L.	10,000,000	5	18.0



Absorption of Gold by India

Is It a Menace or Merely a Bugaboo?

MR. MORETON FREWEN, an English economist, has "stirred up the animals" recently by a prediction that the continued absorption of gold by India for purposes of hoarding would so lessen the stock of gold in commercial countries as to produce disastrous results.

This drain of gold is not new, but is increasing rapidly, especially since the imposition of a duty of eight cents an ounce on silver imported into India. The duty operates to diminish hoarding of silver and its place is taken by gold.

There are two countries which have for many years absorbed gold almost continuously, and very little of it ever comes out again. These are India and Egypt. The people of those countries have but slight banking facilities and would not trust the banks if they had them.

Lord Cromer in an address explained the disappearance of gold in Egypt as follows:

"A little while ago I heard of an Egyptian gentleman who died, leaving a fortune of £80,000, the whole of which was in gold coin in his cellars. Then, again, I heard of a substantial yeoman who bought a property for £25,000. Half an hour after the contract was signed he appeared with a train of donkeys bearing on their backs the money, which had been buried in his garden. I heard that on the occasion of a fire in a provincial town no less than £5,000 was found hidden in earthen pots. I could multiply instances of this sort. There can be no doubt that the practice of hoarding is carried on to an excessive degree."

In India the practice of hoarding is even more general than in Egypt. Many of the Indian princes have immense fortunes stored in gold, silver and gems.

During the ten years 1890 to 1899, India absorbed, according to the estimates of Director Roberts of the United States Mint, about $136,000,000; during eleven years, 1900 to 1910, $434,000,000. But for one year, ending March 31, 1911, the absorption was $90,000,000, or substantially one-quarter of the world's production in excess of consumption in the industries and arts. For the first quarter of 1912, Indian imports of gold were nearly $60,000,000, or over one-half the estimated gold production of the world available for money purposes.

It is this rapid increase in the Indian imports since the duty on silver was removed which forms the basis of Mr. Frewen's warnings.

Has the recent absorption of gold by India and Egypt seriously affected the world's scale of prices? American and English indices of commodity prices —Bradstreet's and the London Economist's—have been as follows since 1904, the figures given being the average for each year with the exception of the last, which is the average for April, 1912.

	American.	English.
1904	7.91	2178
1905	8.09	2176
1906	8.41	2361
1907	8.90	2508
1908	8.00	2223
1909	8.51	2231
1910	8.98	2407
1911	8.71	2542
April, 1912	9.10	2791

The table shows that the advance from 1908 to 1912 has been very sharp —just the opposite of what would be expected, if the disappearance of gold into India were producing an immediate effect toward contraction of money supply.

However, Mr. Frewen does not claim that the effect of Indian absorption will be immediate. His words

are: "Should these conditions continue, the world, at the next recurrence of panic, will be confronted with an irreparable disaster."

Over short periods, the contraction and expansion of credit has much more effect on prices than the supply of gold. For the United States, the total of circulating mediums—gold, other money, and bank deposits subject to check—is about 8½ billions, of which only about one-half a billion, or one-seventeenth, consists of gold. Therefore, upon a purely theoretical basis, an increase of 10 per cent. in bank deposits, the stock of gold meantime remaining stationary, would cause a rise of 9.4 per cent. in prices.

It is unnecessary to say that the law does not work with any such exactness; but the figures serve to illustrate the point that credit has so much to do with the immediate scale of prices that the effect of any change in the world's supply of gold can be detected only by the study of a considerable period of time. Therefore the fact that prices have been moving for several years contrary to Mr. Frewen's fears, must not be allowed to impeach the possible soundness of his argument.

Over any long period of time, the movement of prices is roughly influenced by the world's stock of gold available for use as money. (See "Effect of Gold Production on Stock Prices," THE TICKER AND INVESTMENT DIGEST, volume 7, page 3.) The annual production of gold is small in comparison with the total stock on hand; and it is the stock of gold which exercises whatever influence on prices we may be willing to admit is exercised by the supply of gold.

Here is the weakness of Mr. Frewen's argument. The world's stock of money, January 1, 1911, was approximately $12,500,000,000 for the principal countries, of which $6,700,000,000 was gold. For the first quarter of 1912, Indian imports exceeded the same period of 1911 by about $20,000,000. Even if this increase were to keep up throughout the year, making $80,000,000 during 1912, this would be only six-tenths of one per cent. of the world's stock of money on hand. The effect of this trifling loss would be slight indeed, compared with the wide variations in the contraction and expansion of credit which occur every year.

The absorption of gold by India undoubtedly exists, and it undoubtedly has an effect in the direction asserted, but the matter is relatively unimportant because all gold thus absorbed is such a very small per cent. of the world's total supply.

A much more important influence is to be found in the fact that the world's production of gold, which steadily increased from 6,000,000 ounces in 1890 to 22,000,000 in 1909, remained stationary in 1910 and decreased to less than 21,000,000 ounces in 1911.

For twenty years the business of the world has adjusted itself to increasing gold production. The check to this tendency may be merely temporary, but if it proves permanent, its effect is certain to be ultimately felt in the fall of general prices. In the meantime the shorter swings of the general level of commodity prices will be chiefly controlled by credit conditions, as heretofore.

BOND DEPARTMENT

What an Investor Ought to Know

IV—That as a General Rule the Risk in a Security Increases with the Income

By FREDERICK LOWNHAUPT

[Under the above caption it is intended to present a series of articles treating many of the fundamental facts that are either never learned by many investors or apparently overlooked in the purchase of investments. Discriminating selection is no easy matter. Without a knowledge of the basic principles underlying the science of investment rational selection is impossible. The aim of these articles will be to give many facts in readable form—facts which in themselves are technical, but which, co-ordinated, explained and placed in proper relation to each other, are both interesting and easily understood.]

HOWEVER often this statement may have been made, it needs to be made a great many times more. If there is anything that investors know absolutely and quite as thoroughly forget it is this very fact. Unconsciously thousands of investors have been carried with the tide of modern tendencies, so that they find themselves rather distant from where they were some years ago. That is to say, ten or fifteen years ago a much larger proportion of investors adhered to the idea of least risk and accepted without question 4 per cent. or very close to it.

A few years ago the apparent acme of safety was in a security yielding around 3 per cent. Some of the high-grade railroad bonds exemplified this character of investment. As a matter of fact, however, the investor who was looking for the very irreducible minimum of safety in those times could have taken his choice of a number of municipal issues that carried him even below 3 per cent., notably those of the City of New York, which were selling around a 2.90 per cent. basis, or United States Government bonds yielding even less than 2 per cent. Of course it has been recognized for a long time that our government issues are not investment securities in the generally accepted sense of that term.

The range of income in those times was very wide, giving as a consequence a much broader latitude within which to work in selecting a group of securities. Today the irreducible minimum may be said to be just under 4 per cent.—and found in the highest grade municipal bonds.

There is only a slight difference in the degree of risk involved in investments yielding 4 per cent. and those yielding 4¼ per cent. It would be a rather presumptuous investment adviser who would undertake to define clearly the exact difference in degree of risk in two bonds of a difference of one-quarter of one per cent. at that point. Add another quarter of one per cent. to the income and the difference is still comparatively unimportant. The distinctions in point of safety between two bonds of these income bases are not always readily apparent even to the trained man.

Raising the income to 5 per cent. we still are within the bounds of safety, but, of course, we cannot claim for such a security the high degree of safety that holds in the case of the 4 per cent. bond. There was a time not long ago when the 5 per cent. bond was classed as a business man's investment, meaning that the degree of risk was about what the average business man could well afford to

take, but now many 5 per cent. bonds are recommended as somewhat better than an average business man's risk. In fact the burden of some of the best advice is to the effect that the 5 per cent. bond has come to stay and that conservative investors may ask 5 per cent. on the average on their holdings and rest easily.

There are so many qualifications in the stating of the degree of safety or risk that goes with any bond that it is impossible to generalize. There are public service securities that for all that may be discerned or judged by the bankers are thoroughly sound and will never rest under the shadow of doubt as to the ability of the company to earn its full fixed charges in all times. There are others of the same class yielding around the same amount of income which are perfectly good, but about which there cannot be thrown that air of certainty as in the former case.

The question of the degree of safety existing in two bonds may be roughly illustrated by citing the underlying issue of, say, a good railroad as compared with a junior issue of the same company. Assume that the margin of earnings is far and away sufficient to take care of the interest on the junior bonds with a wide distance to spare. How shall be declared the difference in security of the two bonds, except it be purely theoretical? The difference in market price must be built upon the difference taken to exist in the quality of the liens.

Once the investor gets above 5 per cent. he moves into a compass within which the elements of security change more or less rapidly and noticeably. For instance, the difference in security between a bond yielding around 5 per cent. and another yielding around 6 per cent. is marked. Certain factors begin to show themselves plainly when the security goes toward 6 per cent.—highly fluctuating earnings, or a very speculative type of business, a narrow margin of earnings available for the particular bond, or some other consideration that works with equal force on the market position of the bonds.

Beyond 6 per cent., of course, these factors become accentuated and there are generally market fluctuations of a most pronounced character. There are a number of issues on the Stock Exchange yielding around 6½ per cent. and even up to 7 per cent. and over, that are almost as speculative as many common stocks. The earnings upon which they depend fluctuate widely so that in the periods of poor business the question comes up naturally as to whether the danger point is not near.

It is in this class of bonds that the speculator in bonds finds his great opportunity for large profits. His income alone is big, but he may even augment this by operating in the bonds and catching the fluctuations in price. The trader of this type enjoys at least this satisfaction and assurance—that interest on his bonds will be paid till the last vestige of expediency has vanished, whereas in the case of the average common stock dividends may be reduced or even passed when only ordinary prudence dictates such a course.

A common method of getting substantial income and still the largest degree of safety commensurate with such return is to distribute one's investments over a group of bonds beginning with the low interest, high security type and going through the various degrees of safety and income so that the average income is well up toward or is at 5 per cent. In this way a large part of the principal is secured beyond a peradventure and only a small part is exposed to the dangers of decline and default.

For the investor that has the time or the inclination to keep in touch with the market such a combination offers opportunity for good profits. Furthermore, in this method, if the bonds are all carefully selected, there is likely to be less risk than in a group of bonds all yielding exactly the desired average, as the total investment will probably cover a wider field and thus afford a greater distribution of risk.

After this fashion some very scientific investing can be done so that an investor may venture over into the area of carefully selected speculative securities, always keeping a preponderating weight of highly conservative and semi-investment issues to over-balance whatever risk is involved in the speculative holdings.

Preferred Stocks and the Bond Market

OVER the past five years something like five hundred millions of dollars of preferred stocks have been floated through the various markets. A very large part of this huge total has come out through New York houses. Five years ago the first issues among the so-called modern preferred stocks came out almost entirely through the New York houses, but the manifest success of the issues and the avidity with which the investment public snapped up this class of security led on and on from one issue to another until the contagion of the movement spread beyond Wall Street and all the financial marts of the United States caught the drift of things and went along with the tide.

From a tide it developed to a flood so that within a period of about eighteen months, closing with, say, the end of the year 1911, nearly half of the entire amount was marketed.

Preferred stocks have become the fashion, in fact. They are not new by any means, but there is a decidedly new movement in them now running its course. There are some marked differences between the old style preferred stock, or at least the stock issued some fifteen or twenty years ago, and the securities that are now being offered to the investor in totals of many millions every month. The science of creating investments has advanced many steps, so that now the preferred stock has about it many features quite unknown among the earlier issues.

Many of the older preferred stocks grew out of the reorganizations effected in the trust era. In some of these gigantic combinations the funded debt was followed by an issue of preferred stock intended to represent the equity remaining, which in turn was followed by an enormous issue of common stock representing very little, if any, equity, but capitalizing to a full degree the hopes and prospects of the promoters.

In those days the larger public was not in preferred stocks. It is true that a respectable number of security holders chose this type of security, but the rank and file of investors were far removed from any broad participation in this branch of the market. The majority of these stocks came into the market through the Stock Exchange and were only spread out through investment channels into the hands of miscellaneous buyers through the process of slow absorption and very often through market manipulation incidental to the distribution of a large block of listed stock.

In a large number of cases the newer preferred stocks go out to the investing public in an entirely different manner, oftentimes never reaching the Exchange floor.

The noticeable change in respect to preferred stocks may be traced directly to the modern cry of the "cost of high living." The key note of selling in many instances has been high income, but this has only been an echo to the demand. Five years ago bond dealers were at their wit's end to satisfy the ever increasing chorus for larger income. They knew it could not very well be satisfied entirely in bonds. This type of security could not possibly have been sold generally at the high level of income that was being demanded. Railroad bonds had fallen in price considerably from the high figures of ten or fifteen years ago and practically every other class of bond had shown the effects of the changing demand, but withal the level of the cost of capital had not by any means gone up to the figure that was being demanded by a multitude of investors the country over.

What was to be done? At this juncture the public utility bond came into its own and because of its yield of five per cent. or better found a large favor with investors. The movement to take up this class of securities spread rapidly until there were five houses handling them where a comparatively short time

before there were only two such dealers.

But even the public utility corporation security, good as it was—and is now—did not satisfy many. They wanted more income. Conservative bonds yielding 4½ to 5 per cent. were absolutely disregarded by many, and they reached up even for seven per cent., if there were only reasonable indications of safety.

This condition of affairs proved a double opportunity, as it were, for both the bankers and the corporations. The preferred stock movement from its outset has proved an occasion not to be neglected by any of the corporations needing money. This must be qualified to the extent that industrial concerns have profited most by the trend of events.

For the corporation the opportunity opened of getting new capital in a most acceptable fashion. Almost any industrial concern would much rather put out preferred stock, even though the dividends are cumulative, than issue a heavy load of bonds involving a mortgage on the properties and the certainty of coming face to face with interest charges regularly every six months at least.

The opportunity of the corporation, in a word, was to change the character of its support from the banks to the people. That is, many corporations previously had carried large bank loans in the form of heavy bills payable, their working capital in not a few instances being practically represented by their bank loans. When the public turned in large numbers to the high yield preferred stocks, the corporations had their chance to get away from the method of borrowing heavily at their banks, and to refund, as it were, their bills payable, by preferred stock, which is obviously a less troublesome consideration than oft maturing bank loans. On the other hand, the public, in taking these preferred stocks, was generally getting a security that bore reasonable evidences of safety and, of course, carried with it a high rate of income.

Incidentally it is of interest to note the opposite process that has gone on among the railroads of the country while the preferred stock movement has been in progress among industrials. In the case of the railroads the burden has, to a considerable extent, been shifted from the large public to the banks. It is well known that within the past five years an enormous amount of notes has been marketed by the railroads, and a very large part of them have been absorbed by the banks and kindred institutions. The railroads had few bonds to offer and would not offer them at the excessively high rate of income demanded by many investors. They therefore turned to notes, in spite of the fact that short-term notes mean frequent refunding and bankers' commissions.

The question is being asked how long the movement in these preferred stocks will continue. From present indications it seems as if the end were far off. The intensity of the movement is evidenced by the fact that at least a dozen new issues, some of them large, are now looking for banking support, if they have not received it ere this article is in print.

There is a healthy sign in the widespread movement in these modern preferred stocks notwithstanding the enormous amounts that have come out. It is often complained that the public is not speculating in the stock market. There are strong evidences in the present situation that a large class of the public has left off speculating in the ordinary common stock, whose dividend may be reduced or taken away entirely at the first indication of declining earnings. This part of the public has to a large degree gone over to preferred stocks. Large amounts of many of the old line preferred stocks have gone into investment seclusion, leaving only a comparatively limited amount afloat in the open market.

In the refusal of the public to speculate heavily in common stocks there is a good omen. It may be said that this public has gone over from the idea of reaping a substantial profit through the appreciation of common stocks by market movements to the idea, conservative by comparison, of getting a substantial income all the year round in the form of regular and stable dividends, and subordinating the question of market appreciation.

What does the investor get by this change of attitude? Generally speaking, he gets something far better and more

satisfying in the end than he got when dabbling in the mercurial common stocks in the market place. He does not get a bond, to be sure, but in many instances he gets what is almost as well protected as a bond from the standpoint of earnings. It would not be difficult to mention preferred stocks issued within the past two or three years that have been sold on a record of net earnings available for preferred dividends amounting to twice the requirements or more.

It is generally conceded that a bond that has an earning power back of it of twice the amount of interest required is in an enviable position. If, then, protection is thrown about the preferred stock issue so as to prevent depletion of this earning power before it is applied to dividends, there is fair ground for the assumption that the stock is a pretty good investment. Under such circumstances the investor gets a security that has in it the element of safety to such a degree as seemingly to justify the statement of some houses that their preferred stocks might be called "semi-bonds." It may be said with all truthfulness that in many cases investors have procured highly meritorious securities and at the same time have been able to get an income sufficiently high to meet the demands of increased cost of living.

There is no doubt about the effect that all this financing with preferred stock has had on the bond market, particularly on the issues of high type. From the dealer's standpoint there is hardly any complaint, for the consumer has been buying the more fashionable and popular type of security, which doubtless has been more profitable to the bankers.

There is a point of view from which it might be said the entire situation is the stronger for the flood of these stocks. Corporations must do financing. If they had been compelled to offer bonds, with their fixed rates of interest and mortgage lien, they would have been less able now to stand the strain of any possible depression in business than they will be with no fixed charges in spite of heavy financing.

When the fashion changes the bond market will be better than ever. If we had had such a flood of industrial bonds in the past four years the bond market would be glutted and difficult business conditions would be likely to bring out a flood of liquidation, which would mean that new bonds would find it hard going.

Bond Notes and Inquiries.

Trend of the Bond Market.

Every succeeding month brings with it fresh evidence that the high income bearing security propelled by extensive advertising which emphasizes the very attractive income is crowding the high grade low yield bond down in price.

Usually when money conditions are as favorable as they have been over the past few months, high grade issues rise and make high marks. The contrary is observable now. During the months of May and June there was a general decline in these securities, as evidenced by the average of representative issues. In fact, it is stated that the lowest point since May, 1908, was reached in that month. To be sure, this decline was not universal throughout the list, but it occurred in enough issues to indicate the declining average and the general trend of the market, if it may be said there is a trend.

As a matter of fact, however, there is almost no bond market now. Trading is nearly at a standstill, just as it was one year ago at this time. Many real bond buyers are waiting for better prices, which may or may not come. There are signs of the usual summer apathy.

If precedent counts for much, the bond market cannot be expected to revive to any great extent, for at least three months more. especially in view of the continued preferred stock offerings that draw investment money.

Bond Market Topics.

More than a few people have asked during the past two months whether Allis-Chalmers bonds were a good purchase. Some very

shrewd people in the Street have been of the opinion that they were an excellent purchase down around the low figures between 52, their low point, and the early sixties. These bonds are to disappear from the capitalization of the new company through the exchange for new stocks, which it is expected will show substantial appreciation within a comparatively short time. The bonds always were an anomaly in the market. Sometimes high and other times low, they created more inquiries perhaps than any other industrial issue on the list. Some bond men thought well of them and again others regarded them as poor securities. They fluctuated in price rather widely. On a showing of assets they were protected more than twice over. However, there is little doubt but that the exchange for new stock will eventually work out to a good profit.

The sale of a large block of New York State bonds at a price barely over par seems to a good many people to emphasize the fact that the average individual investor is far from a frame of mind receptive to the idea of taking ups of such high class things. The bids showed a falling off of individual buying. Some of the earlier issues had a really good reception among private investors, but now it seems as if the institutions must take them all.

Some high records were made early in the year in the matter of new financing, largely due to the fact that the ease in the money market permitted the banking concerns to undertake extensive financing and gave private investors with accumulated funds an opportunity to take up the investments on easy terms. Over the latter six months of the year there is to be very heavy financing, with more than $150,000,000 of maturities to be cared for, which means, of course, some interesting new issues. Bond buyers may find among the new financing some attractive purchases for the reason that this refunding must be done, and to accomplish it in the face of a dull market attractive terms for the new securities may be necessary.

Hawley Roads Bonds.—Bond market critics ask whether the showing of the Chicago & Alton and the Clover Leaf has been fully discounted in the quotations for the junior issues of these roads. The weak earning position accompanied by the low price of the bonds certainly leaves a large opportunity for the person inclined to seek large profits on market fluctuations. Buyers of the bonds at these prices should reap a handsome profit if the roads begin to improve shortly. On the other hand, the original question stands out—have the prices discounted fully the conditions?

Hints to Investors.

Assure yourself that the sinking fund is ample on bonds where the assets of the property are being depleted; such, for instance, as a coal concern.

Establish a confidential relation with your banking house, for in so doing you put yourself in a position to get the best advice. In other words, seek good advice and take only the best.

Study the advertisements of securities for a while before purchasing. Weigh the statements. Conservative presentations only deserve attention.

Remember that a bond bought at a price above par declines in price automatically each year as it goes toward maturity, while a bond bought below par, if it is a good security, rises in market value as it approaches maturity, which means that the most scientific investments for individuals are good bonds below par.

Always keep a little money ready for the opportunities of real bargains.

Unless you are very well informed in financial matters do not try to operate for big profits or high income.

Books on Bonds.

I would like to get as much information as possible on the buying and selling of public utility and industrial bonds, as I am interested in the organization of a new local bond house. What have you? —E. B.

We would suggest:

	Postpaid.
Bonds as Investment Securities, published by the American Academy of Political and Social Science, containing a large number of contributions by eminent authorities	$1.62
Investment Bonds, by Frederick Lownhaupt	1.90
Municipal and Corporation Bonds, by Rollins	.80
Principles of Bond Investment, by Chamberlain	5.20
The Work of the Bond Houses, by Chamberlain	.80
Money and Investments, by Rollins	2.20
Two booklets on Public Utility and Industrial Bonds, by Lownhaupt..each	.10

These are the principal works on the subject. In the two first named, you will doubtless find references to other publications which may aid you. The most extensive list of such books would be found in the Congressional Library, Washington. We have sent you our special catalogue of financial and investment books.

The Bond Buyer's Guide

IN the following table are arranged in order of yield the principal active issues of bonds listed on the New York Stock Exchange, the income being figured at the latest available selling price for lots of 20 bonds or more. They are divided into groups, according to the grade and character of the bonds.

This table will appear monthly, and will prove invaluable to bond buyers, as well as to brokers and to all others who are called upon to select or recommend investments.

(1) High Grade mortgage bonds, many of which are legal investments for New York State Savings Banks.

Description.	Due.		Interest Period.	Price. June 14.	Yield.
Chic., Rock I. & Pac., ref. g. 4s	Ap.,	1943	A.—O.	88¾	4.84
Texas & Pacific, 1st g. 5s	Je.,	2000	J.—D.	108⅞	4.59
Wabash, 1st g. 5s	My.,	1939	M.—N.	107	4.55
Un. Pac., Ore. Short L., guar. ref. 4s	D.,	1929	J.—D.	93½	4.54
Erie, 1st con. g 4s prior	Ja.,	1996	J.—J.	89	4.51
Ches. & Ohio, gen. g. 4½s	Mr.,	1992	M.—S.	100¾	4.47
Central of Ga., cons. g. 5s	N.,	1945	M.—N.	109¼	4.47
Atch. Top. & S. Fe, adj. g. 4s	Jl.,	1995	Nov.	91¼	4.40
Balt. & Ohio Southw. div., 1st g. 3½s	Jl.,	1925	J.—J.	91¼	4.39
St. Louis S. W., 1st g. 4s bd. ctfs	N.,	1989	M.—N.	91½	4.39
Wisc. Central, 50-yr. 1st gen. 4s	Jl.,	1949	J.—J.	92⅞	4.39
Northern Pac. gen. lien g. 3s	Ja.,	2047	Qu.—F.	69⅛	*4.36
Colorado & Sou., 1st g. 4s	F.,	1929	F.—A.	95¾	4.36
C. M. & Puget Sd., 1st gu. 4s	Ja.,	1949	J.—J.	94	4.34
Balt. & Ohio, prior 3½s	Jl.,	1925	J.—J.	91¾	4.34
Ches. & Ohio 1st cons. g. 5s	My.,	1939	M.—N.	111	4.31
Atl. Coast Line, 1st g. 4s	Je.,	1952	M.—S.	94½	4.29
Ter. A. of St. L., gen. ref. s. f. g. 4s	Ja.,	1953	J.—J.	94¾	4.27
Sou. Pac. R. R. 1st ref. 4s	Ja.,	1955	J.—J.	94¾	4.27
Sou. Pac. Cent. Pac. mort. guar. g. 3½s	Ag.,	1929	J.—D.	90¾	4.27
Un. Pac. Ore. Ry. & Nav., con. g. 4s	Je.,	1946	J.—D.	95¼	4.27
Gt. Northern, 1st. & ref. 4¼s. Ser. A	Jl.,	1961	J.—J.	100¾	4.21
Mo. Kansas & Texas, 1st g. 4s	Je.,	1990	J.—D.	95⅛	4.21
Illinois Central 1st ref. 4s	N.,	1955	M.—N.	96⅛	4.20
C. B. & Q., gen. 4s	Mr.,	1958	M.—S.	96	4.20
Sou. Pac. Cent. Pac. 1st ref. gu. g. 4s	Ag.,	1949	F.—A.	96⅜	4.19
Chic. Rock I. Pac., gen. g. 4s	Ja.,	1988	J.—J.	96	4.18
C. B. & Q., Ill. Div., 3½s	Jl.,	1949	J.—J.	87½	4.17
Union Pacific, 1st. & ref. 4s	Je.,	2008	M.—S.	96½	4.15
Balt. & Ohio, g. 4s	Jl.,	1948	A.—O.	98	4.11
Chic. & N. West., gen. g. 3½s	N.,	1987	M.—N.	86	4.10
Reading Co., gen. g. 4s	Ja.,	1997	J.—J.	97⅞	4.09
Chic. & N. West., gen. 4s	N.,	1987	M.—N.	97⅞	4.09
Chic. Mil. & St. P., gen. g. 4s, Ser. A	My.,	1989	J.—J.	98	4.09
Atch. Top. & S. Fe, gen. g. 4s	O.,	1995	A.—O.	98⅜	4.07
Louisville & Nashville, uni. g. 4s	Jl.,	1940	J.—J.	99	4.06
Del. & Hudson, 1st & ref. 4s	My.,	1943	M.—N.	99	4.06
Penn. Co., gu. 1st g. 4½s	Jl.,	1921	J.—J.	103⅜	4.05
Norf. & West., N. & W. Ry. 1st cons. g. 4s	O.,	1996	A.—O.	98¾	4.05
N. Y. Cen. & H. R., g. 3½s	Jl.,	1997	J.—J.	87	4.04
Del. & Hud. Alb. & Sus. conv. 3½s	Ap.,	1946	A.—O.	90¼	4.03
Northern Pac. prior l. g. 4s	Ja.,	1997	Qu.—J.	99½	4.02
West Shore, 1st gu. 4s	Ja.,	2361	J.—J.	100	4.00
Union Pacific g. 4s	Jl.,	1947	J.—J.	100½	3.97
Can. So., 1st ext. 6s	Ja.,	1913	J.—J.	101	3.96

(2) Collateral trust bonds selling at prices relative to the great value of the underlying collateral.

Chic. R. I. & Pac. R. R. 4s	N.,	2002	M.—N.	69¼	5.67
So. Pac. g. 4s. (Cent. Pac. coll.)	Ag.	1949	J.—D.	90⅛	4.54
Gt. Northern, C. B. & Q. coll. tr. 4s	Jl.,	1921	J.—J.	96¼	4.48
Atl. Coast Line, L. & N., coll. g. 4s	O.,	1952	M.—N.	93¼	4.33
N. Y. C. & H. R. R., Lake Shore, coll. g. 3½s.	F.,	1998	F.—A.	81½	4.32

(3) Convertible bonds having no mortgage lien whose quotations are governed largely by the price changes of the stock into which they are convertible.

Erie, 50-yr. conv. 4s. Ser. B	Ap.,	1953	A.—O.	78½	5.29
Ches. & Ohio, conv. 4½s	F.,	1930	F.—A.	93	5.10
Erie, 50-yr. conv. 4s. Ser. A	Ap.,	1953	A.—O.	87½	4.69
Del. & Hud., 10-yr. conv. deb. 4s	Je.,	1916	J.—D.	98	4.55
Sou. Pac., 20-yr. conv. 4s	Je.,	1929	M.—S.	94⅝	4.45
Atch. Top. & St. F., conv. 4s (issue of 1910)	Je.,	1960	J.—D.	102⅝	3.88
Union Pac., 20-yr. conv. 4s	Jl.,	1927	J.—J.	101⅝	3.86
Atch. Top & S. Fe, conv. g 4s	Je.,	1955	J.—D.	106¼	3.69
Atch. Top. & S. Fe, 10-yr. conv. g. 5s	Je.,	1917	J.—D.	107½	3.36
Norf. & West. Ry., 10-25-yr. conv. 4s	Je.,	1932	J.—D.	112	3.18

(4) Debenture bonds selling on high level because of good general credit of Company.

N. Y. Chic. & St. L. deb. 4s	My.,	1931	M.—N.	90	4.81
Chic. Mil. & St. P., 25-yr. deb. 4s	Jl.,	1934	J.—J.	90½	4.70
Lake Shore, deb. g. 4s	S.,	1928	M.—S.	93½	4.57
Lake Shore, 25-yr. g. 4s	My.,	1931	M.—N.	93¼	4.53
N. Y. Cen. & H. R., deb. g. 4s	My.,	1934	M.—N.	94½	4.39
C. B. & Q., deb. 5s	My.,	1913	M.—N.	101	3.97

(5) Semi-investment bonds, many of which are general mortgages, often classified as "business man's" investments. Income yield is reasonably definite index of relative worth.

Col. Midland, 1st. g. 4s	Jl.,	1947	J.—J.	49	7.46
Pere Marquette, ref. 4s	Ja.,	1955	J.—J.	60¼	6.58
Iowa Central, ref. g. 4s	Mr.,	1951	M.—S.	65¼	6.40
St. L. & S. F. R. R., gen. 15-20-yr. 5s	My.,	1927	M.—N.	86⅞	6.28
Seaboard Air L., adj. 5s	O.,	1949	F.—A.	80½	6.22
Wabash, 1st ref. & ext. g. 4s	Jl.,	1956	J.—J.	68½	5.98
Chic. & Alton Ry., 1st lien 3½s	Jl.,	1950	J.—J.	63¼	5.90
Denver & Rio Grande, 1st & ref. 5s	Ag.,	1955	F.—A.	85⅞	5.87
Mo. Pac. 1st & ref. conv. 5s	S.,	1959	M.—S.	85½	5.87
St. L. I. M. & So. uni. & ref. g. 4s	Jl.,	1929	J.—J.	81	5.77
Mo. Pac., 40-yr. g. loan 4s	Mr.,	1945	M.—S.	74¼	5.75
N. O. Mob. & Chic., 1st ref. 5s	Ja.,	1960	J.—J.	91	5.54
St. L. & S. F., K. C. Ft. S. & M. Ry., ref. g. 4s.	O.,	1936	A.—O.	79½	5.54
St. L. So. West., cons. g. 4s	Je.,	1932	J.—D.	81⅞	5.51
Mo. Kan. & Tex., gen. sink fund 4½s	Ja.,	1936	J.—J.	87	5.48
St. L. & S. F. R. R., ref. g. 4s	Jl.,	1951	J.—J.	78⅛	5.34
Cent. Vermont, 1st. g. 4s	My.,	1920	Qu.—F.	91¼	5.28
Southern, devel. & gen. 4s. Ser. A	Ap.,	1956	A.—O.	78½	5.26
Chic. Gt. Western, 1st 4s	S.,	1959	M.—S.	79⅝	5.16
Chic. & E. Ill., ref. & imp. 4s	Jl,	1955	J.—J.	80⅛	5.15
Erie, 1st cons. gen. lien g. 4s	Ja.,	1996	J.—J.	78⅞	5.09
Denver & Rio Gr. 1st cons. g. 4s	Ja.,	1936	J.—J.	85	5.09
Kansas City So., ref. & imp. 5s	Ap.,	1950	J.—J.	98¾	5.07
Seaboard Air L., ref. 4s	O.,	1959	A.—O.	81½	5.03
Mo. Pac., 1st. cons. g. 6s	N.,	1920	M.—N.	107	4.98
Western Maryland, 1st g. 4s	O.,	1952	A.—O.	86¼	4.74
Col. & Sou., ref. & ext. 4½s	My.,	1935	M.—N.	97	4.72
Mo. Pac., St. L., Ir. M. & S., gen. con. g. 5s.	Ap.,	1931	A.—O.	104	4.68
Southern, 1st cons. g. 5s	Jl.,	1994	J.—J.	107¼	4.63
N. Y. Westches. & B. 1st. ser. I 4½s	Jl.,	1946	J.—J.	100	4.50

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*Calculations on 100 yrs. only.

The Warning on Real Estate Bonds

ABOUT three months ago, State Banking Superintendent Van Tuyl published in unequivocal terms a warning for investors on the general subject of real estate bonds. Here is what he said:

"In the case of at least fifty companies, offering investors bonds alleged to be secured on real estate equities, operating in New York City, with capital stock issues running up into the millions, charters obtained under the Business Corporation law are used to authorize the transaction of business reserved for mortgage, loan or investment companies under the Banking law, such business being the selling, offering for sale or negotiating bonds or notes secured by deed of trust or mortgage on real property. Advertisements often offer to the public 'guaranteed' 6 and 7 per cent. bonds, but do not state whether they are first or second mortgages or equity bonds issued under various classes of trustee agreements. The average investor knows little about analyzing such propositions. Many complaints with reference to such corporations have been received."

The warning of the superintendent cannot be taken to heart too thoroughly. Let it be fully understood, there are some exceedingly good real estate bonds and there are many more exceedingly poor ones. Between the two extremes are all degrees of good, bad and doubtful ones. Probably there is no security, save a mining proposition, that is so difficult to judge as a real estate bond. A railroad bond, especially in this country, may be almost weighed and measured, as it were, while an industrial issue is amenable to certain criteria of worth. Both, however, are affected for good or ill very largely by the broadest economic conditions. Special conditions, it is true, affect either class to a degree, but withal there is no comparison between the way special conditions affect them and the way such conditions work out on real estate bonds.

Granted that a real estate bond is based upon property that at the time the bond is made has a worth leaving a comfortable margin of safety over the debt, there remains to offset that margin of safety, a cloud of uncertainties if the property be located in a rapidly changing city.

Above all places in the world, almost, New York City is that. The swiftness with which values change is a matter of the bitterest chagrin to many a property holder. It would not be hard to find such a one who is ready to declare that New York City is one of the worst places in which to hold real estate. On the other hand, it is quite as easy to find another who was fortunate, perhaps, in having had property, say, in the district where business and amusement are now concentrating, that is between Fortieth and Fifty-ninth streets, is ready with equal emphasis to declare that the city is the best place in the world in which to hold real property.

All this lends emphasis to the banking superintendent's warning. It requires the most expert judgment to place a debt upon property under such volatile conditions. Obviously, it is impossible for more than one hundred companies issuing such real estate bonds as the banking department warns against, to be equipped with such expertness. It would hardly be too much to say that there is really not enough room in New York City for so many concerns to operate, without many of them putting out securities on the most speculative kind of realty.

Were all these bonds first mortgages on the properties they purport to represent, there might be some hope that the equities remaining after the debt would be sufficiently large, so that in case of a shrinkage of values there

would yet remain sufficient to save the bondholder. Unfortunately, this is not the case. Many of the bonds are no better than second or third mortgages, and again many are not mortgages at all. Even where they stand as practical mortgages through the deposit of the actual mortgage, there are numerous difficulties in the way, particularly the question of substitution of mortgages, as some become due and are met by mortgagors. For instance, the bonds may start out with a choice lot of mortgages deposited as their security, but as mortgages are met and the necessity for substituting others occurs it would be quite possible to deposit mortgages of considerably inferior quality, unless the trustee or agent were particularly alert. In the course of a comparatively short time the whole character of the deposited security might change for the worse.

The case is even worse where the company is comparatively unknown or one of unknown strength and gives out its so-called bonds which are nothing more than debentures backed up directly only by the credit and standing of the company. Under such conditions it may easily be that the management has a free hand to change the character of its assets, and the investor has practically nothing more than the integrity of the company to which to look.

Again, consider the situation of the investor who buys the so-called bonds of the real estate promotion company which has, say, a patch of ground in the outskirts of the city, and for the promotion of which it issues bonds. There are cases, of course, where such enterprises have fared well and the investor in the bonds, which have provided the promotion expenses, has come out well, possibly through some value accrued to the bonus stock which he received when he bought the bonds, but the cases of failure of such propositions are so numerous that we may lay down the general rule that the risk is out of all proportion to the income of even 7 per cent. which he may receive on the bonds. It is one thing to have the investor understand fully that he is going into a promotion scheme, and it is another to have him laboring under the false security that he feels when he thinks that he has a bond which in and of itself represents stability.

In so cosmopolitan a city as New York conditions change rapidly and affect values accordingly. Real estate bonds on property in New York should have large margins of safety in large equities above the bonded debt. They should be the obligation of a company indisputably sound and of unimpeachable integrity of management.

The policy of this magazine is to emphasize this fact and to bring to the consciousness of investors that some very different considerations enter into real estate bonds than affect other types. Local conditions play a big part in their standing. Unfortunately a large number of the people who are caught by the alluring advertisements offering 6 per cent. or 7 per cent. or more on real estate bonds will never see this warning, and many undoubtedly have not read the warning of the superintendent.

The multiplication of real estate bond selling companies, in New York City especially, is the fruit of a feverish development of the city and soaring realty prices in some localities. Some of the older established companies operating in real estate having been eminently successful and having become financially sound through judicious management and investment, have been the incentive for the crop of realty operating companies, who taking advantage of the trend of the tide in investment and realty matters. have simply capitalized the opportunity to the full.

INVESTMENT DEPARTMENT

Making Your Idle Bank Balances Pay

How the Business Man May Use Short Term Notes to Advantage

By W. MARTIN SWIFT

DURING the past few years short-term notes have become increasingly popular with railroads and other corporations as a means of financing, and when their advantages become more generally understood they are likely to be equally popular with the investor. It will be found from close study that they possess all the advantages of high-grade investments, and may at the same time be used as a sort of a surplus or reserve by merchants, manufacturers and business men generally. In this latter respect they have merits not possessed by either stocks or bonds, with the exception of bonds maturing at early dates; for they mature at par and thus like commercial paper automatically convert into cash.

That the business man may safely buy the better grade of these notes with reserve funds which would otherwise lie idle in the banks was abundantly demonstrated during the panic of 1907. The best test of any method of financial management is, of course, the manner of its working in times of panic; and during 1907 the safety of these notes, taken as a class, was sufficiently demonstrated for all practical purposes.

The desirability of holding short-term notes rather than maintaining large idle bank balances may easily be seen; for they yield four to six per cent. whereas the national banks allow only two per cent. on idle balances; and the trust companies, as a rule, allow two per cent. on deposits subject to check and two and one-half or three per cent. on time deposits. There is, therefore, a gain of two and one-half to four per cent. in holding good notes rather than idle cash balances.

Whether or not one must make any sacrifice of safety to obtain this additional profit depends largely upon the character of the notes bought, as well as upon the question when the reserve thus invested is going to be wanted for other purposes. There have, for example, been about 45 days during the past 19 years when such notes could not well be used as collateral for a loan, or be sold except at a considerable sacrifice. Those 45 days, of course, were at the height of the panic in 1907; and this was the only occasion during the whole 19 years when good short-term corporation notes would not have served the business man practically as well as cash in the capacity of surplus or reserve.

The safety of the individual note may be judged with practical accuracy by observing the excess of net earnings over the fixed charges of the issuing corporation. A company whose net earnings amount to only 110 to 130 per cent. of fixed charges is not entitled to have its notes regarded as a

strictly high-grade investment; but where net earnings amount to nearly twice the fixed charges or even more than that, as is often the case, the safety of the notes should be unquestioned.

Nor should it be overlooked that in practice such notes are often more secure than debenture or convertible bonds. Of course, mortgage bonds invariably rank ahead of them; but where a note issue matures before an issue of debenture bonds, for example, the obligation to the holders of the notes falls due at a time when the holders of the debentures have no recourse against the company. In such a case, while it is theoretically possible for a receiver to be appointed if the company is embarrassed, any such event is always very unlikely because the outstanding amount of notes is usually small enough so that their refunding is not a particularly difficult operation even under unfavorable conditions. The nearest approach we have recently had to a receivership resulting from the maturing of a note issue was the case of the Erie Railroad in 1908; but if Wall Street understood the matter correctly, the interests then desiring the appointment of a receiver were actuated by other motives than the wish to protect either the note holders or the credit of the corporation.

As to yield, these notes rank logically enough between bonds and stocks—their return being higher than that of bonds but lower than that of stocks. At the present time, for example, first-class notes may be bought on a 5 or 5¼ per cent. basis, whereas good bonds are yielding only about 4¼ to 4¾ per cent. Likewise notes of a semi-speculative character yield about 1 per cent. more than bonds of a similar kind. Comparison with the yields of stocks is, of course, irrelevant because these have but few of the merits of notes.

In stability these short-term securities outrank even bonds. In 1907, for illustration, the average price of 20 leading mortgage bonds fell from $94.-29 in January to $80.99 in November, thus showing a decline of 13.3 points—whereas the corresponding decline in the average price of 16 representative notes was only 10.5 points. This higher stability is, of course, merely a reflection of the fact that the notes as a class have much earlier maturities than the bonds.

To the investor one of the principal advantages in owning notes, especially those maturing within two years, is that the funds thus invested are, in practice, constantly available for reinvestment. There comes a time every few years when the wise investor finds it advisable to sell common stocks, and even bonds of the more speculative type, by way of preparing himself for a general decline in security prices. It then becomes a difficult question what to do with the money while awaiting an expected opportunity to reinvest. It is under these circumstances that short-term notes serve a most useful purpose. Even at such times, they may usually be bought on a 5 or 5¼ per cent. basis; and a fair return is thus secured with practically no risk of shrinkage in the principal while awaiting the desired opportunity.

Perhaps the best way to test this method of handling investments is to observe its result when wrongly used. Suppose, for example, that an investor owning $9,950 of such notes yielding 5.17 per cent. had during the March break in 1907 bought Pennsylvania stock at 120, using the notes as collateral to make the purchase. The stock sold during that break as low as 114; and this is a particularly severe test of the method, not only because such a purchase was premature, but also because the stock later reduced its dividend from 7 to 6 per cent. To make the test still more severe, let us assume also that it was a note which did not mature until March, 1908, and that the investor was, therefore, obliged to use it for collateral for a loan during a period when interest rates were higher than at any other time in recent history.

Before carrying out this illustration, however, it is pertinent to observe what method of borrowing is usually the most economical in making an investment purchase by the use of collateral which has some months to run before maturity. During the first six

months of the year, it is almost invariably preferable to borrow on call rather than on time; for call money at this season is materially cheaper than time money and tends constantly to become cheaper still until August or September. Indeed, the only recent exception to this rule occurred in 1906, and was due to the San Francisco earthquake. Some time between the 1st of July and the last of October, however, it is almost always desirable to discontinue the use of call money, and borrow on time so as to have the loan mature about the 1st of February.

During the autumn months the demand for money to finance the crop movement is so great as to put a considerable strain upon the New York banks; and this strain is most reflected in call money rates, for the reason that when reserves are diminishing too rapidly it is the practice of bankers to replenish them by calling in demand loans. Hence during the last quarter of the year call money is very frequently much dearer than time; and even when this is not the case, it must be regarded as pure carelessness on the part of the borrower to attempt to go through the tight money season unprotected. Call money always fluctuates rapidly; but anyone who will take the trouble to average the rates for each month may quickly observe that after June whenever the average monthly rate rises more than 1 per cent. above that of the previous month, it is almost invariably a good policy to begin to borrow on time.

In the supposed case, had the purchaser of Pennsylvania used this method of borrowing he would have paid an average rate of about 3.81 per cent. for call money during the five months from March to July, inclusive, an average of 6.43 per cent. for time money during the five months from August, 1907, to January, 1908, inclusive, and about 2 per cent. for call money during February, 1908. His total interest on the loan obtained in order to purchase the Pennsylvania stock would, therefore, have been about $512, and the above $9,950 would, of course, have served to buy 83 shares. Meanwhile he would have received as interest on the short-term notes used as collateral $514, and as income from his Pennsylvania stock $560—thus making a total of $1,074 in interest and dividends received. The net amount of interest received, therefore, would have been $562; and assuming that the notes cost him 99½ he made a net profit of $37.50 by holding them until maturity. This profit, combined with the net interest received, totals $599 or almost exactly 6 per cent. on his original note investment, as compared with the two or three per cent. which he might have obtained on idle bank balances.

This detailed hypothetical case is given merely to illustrate the advantages of holding reserve funds in such notes rather than in cash, even under the least favorable circumstances. In this illustration the investor made three blunders: He selected a stock which cut its dividends; he carried it with borrowed funds during a whole year of excessive interest rates; and he bought it long, long before stock prices were anywhere near the bottom. Yet he made 3 or 4 per cent. more than if he had merely allowed the funds to remain on deposit and draw interest.

The August issue of THE MAGAZINE OF WALL STREET will contain the first of a new series of articles by G. C. Selden entitled "Investing for Profit," dealing with the general principles of selecting investments which are likely to increase in value.

Building Your Future Income

III—Coming Dividend Payers Among the Industrials

By RICHARD D. WYCKOFF
Author of "Studies in Stock Speculation"

A CONSIDERABLE number of industrial stocks may be considered probable dividend payers, but in this discussion we will take up only the few on which dividends may be regarded as "in sight."

A year or so ago American Beet Sugar was selling in the thirties, earning ten or twelve per cent. It is now a five-per cent. dividend payer and earns upward of fifteen per cent., having sold (June 5, 1912) as high as 76.

United States Rubber common in 1911 sold as low as 30½, while earning sufficient to pay a dividend. It is now selling at 63 and pays four per cent.

These are two very good examples of the rapid increase in market price resulting from the inauguration of dividends, and why it is best to select from among the hundreds of different issues a fair proportion of those which offer this advantage.

Of the following industrial stocks, among others, it may be said that dividends are now in sight, but there is nothing certain on this point, as allowance must be made for changed conditions affecting these securities in particular and all securities in general: American Locomotive common; Bethlehem Steel preferred; Pacific Telephone and Telegraph common; Pressed Steel Car common, and Railway Steel Springs common.

In selecting the issues which are best for our purpose, we should avoid those which are likely to be affected by tariff revisions, local influences, or whose business is subject to wide fluctuations from one cause or another. An instance of the latter is the leather industry, which is said to enjoy only one good year in five. This is why Central Leather and American Hide & Leather securities are ultra-speculative.

What the investor for future income wants most is stability of earning power and the sort of a business which, in the natural course of events, will expand into very much larger proportions.

On this ground, objection might be made to all the steel stocks, on the ground that tariff revision might greatly reduce earning power. As Mr. Schwab said some months ago: "If the Steel Tariff Revision Bill becomes a law, I shall sell out my interest in Bethlehem Steel and go out of the business." This may have been an extreme statement, but so long as there are companies whose future is not so jeopardized, we may as well avoid issues where the future is in doubt.

What we have to say here must only be taken as an illustration. We are not giving pointers on these stocks either for or against. We are illustrating a method, and our suggestions are not to be taken as advice. There are stocks which may be better for this purpose and others not so good, and we are making no predictions as to the future course of any security. With this understanding, we mention a few issues as representing the elements desired in an investment for future income.

It will be difficult to find two industries which are today showing a more rapid growth and greater promise than the manufacturing of automobiles and the telephone business. It is less than twenty years since the first "horseless carriage" ran through the streets of New York, but there are now hundreds of millions in capital and hundreds of thousands of people employed in this industry. Less than forty years ago, the telephone was a curious toy; now it is the life blood of the business world.

In both these fields, it may be said that the surface has merely been scratched. Telephones should eventually become so common and so cheap that the poorest individual will find it economy to install one. In automobiles, competition, improved methods, new inventions, and decreased costs, will finally give us a machine for what a business wagon formerly cost, and its up-keep will be far below that of maintaining a horse.

The graphic taken from the last annual report of The American Telephone and Telegraph Company and reproduced herewith illustrates the growth of the telephone industry in recent years, and while there are still many independent companies which have not been brought into the Bell Telephone combine, no better demonstration could be had as to the future of this vitally important industrial.

Gradually, all the independent companies are being brought under control, and as convincingly demonstrated by The American Telephone Co.'s series of advertisements, running in the public press, the only common sense solution of the telephone problem is one system for the whole country. Many of the independents are such in name only, the majority having been brought under control directly or indirectly.

PACIFIC TELEPHONE AND TELEGRAPH.

The only prominent issue listed on the New York Stock Exchange, and therefore readily purchased or sold, and available as collateral, is the stock of the Pacific Telephone and Telegraph Company, now selling a little above 50. While its earning power, according to the company's last annual statement, was not such as to encourage expectation of immediate dividends, it will be seen that large appropriations for

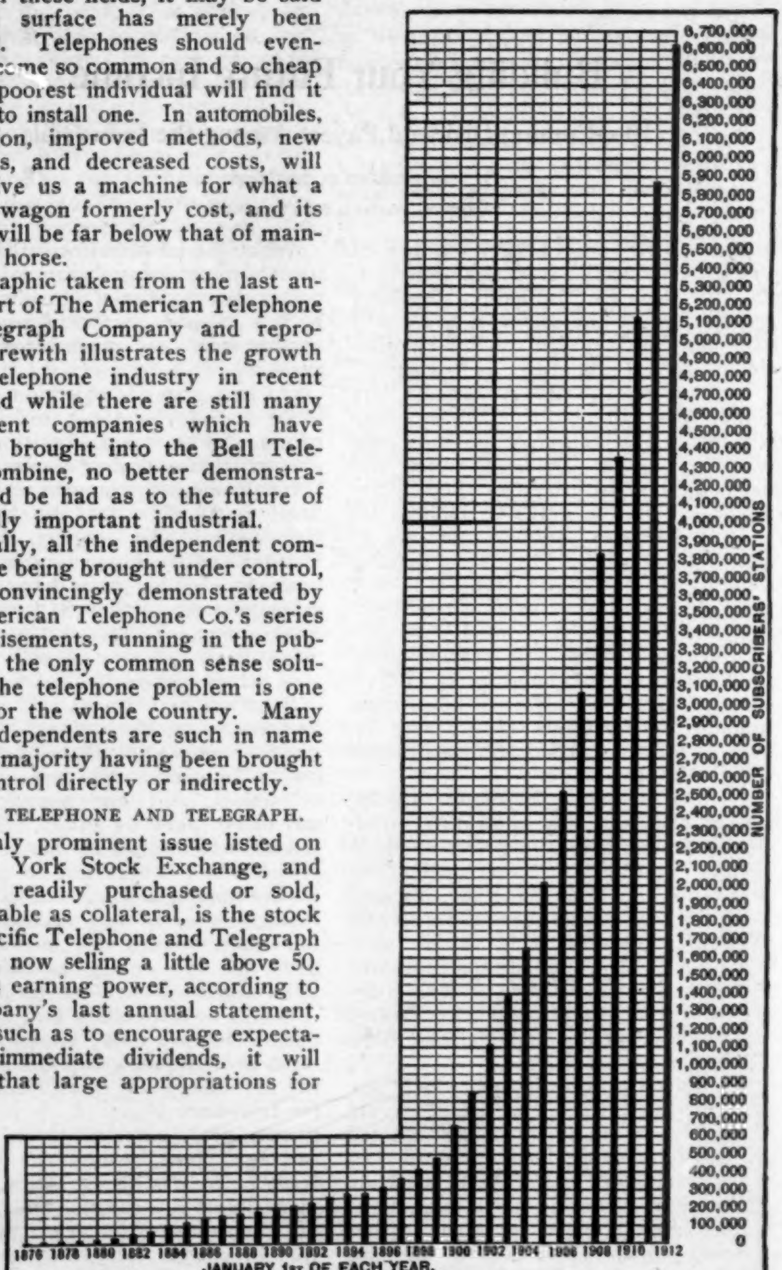


DIAGRAM SHOWING THE GROWTH IN SUBSCRIBERS' STATIONS CONNECTED TO THE SYSTEM OF THE BELL TELEPHONE COMPANIES.

depreciations are still going on and a very large reserve will ultimately be created. The company's gross earnings have increased at the following rapid rate:

1906	$7,731,615
1907	9,223,564
1908	10,699,650
1909	12,885,018
1910	14,667,112
1911	16,070,112

Were it not for heavy appropriations to maintenance and reserve, actual earnings would doubtless show upwards of 12 per cent. on the common stock. Assuming that the opinion expressed by a certain authority is correct, viz., that "the common stock is three years away from dividends," we can apply the methods suggested in a previous chapter of calculating the net cost at that time, and figure whether an investment of this kind, even if secured at an expense of present price plus three years carrying charges, would not ultimately yield a liberal reward.

At some time in the future, the business of this company should expand to a point where present large maintenance and reserve charges can be carried, and dividends on the common stock paid as well, and there is no reason why, when these dividends are once inaugurated, the rate should not increase so that in the end a large return on net cost will be shown.

The American Telephone & Telegraph Company owns a majority of the Pacific Telephone & Telegraph Company's common and preferred stocks, and one who embarks in this enterprise must pin his faith to the record established by the management of the American Company. See what President Vail and his associates have accomplished in Western Union since they took hold of it, and from this draw a conclusion as to the probable result of a purchase of Pacific Telephone with an eye to future dividends.

AMERICAN LOCOMOTIVE.

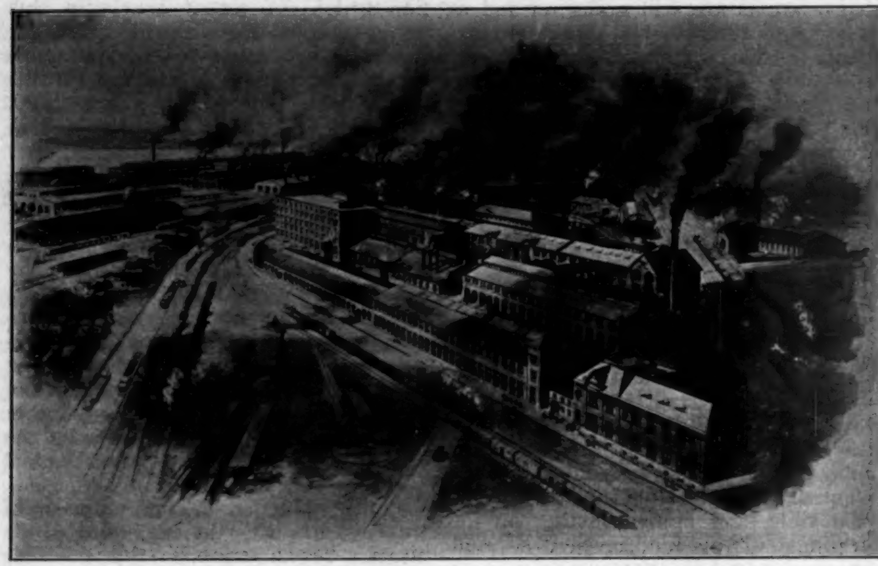
Another stock in the class under discussion is Locomotive common. Here we find a product which is consumed (a locomotive has a limited life, owing to wear and tear), but is legislation proof. A recent article in this publication dealing with the equipment stocks showed that the normal number of locomotives which are thrown upon the scrap heap every year is 2,700, although 6,000 were thus disposed of in 1908.

The American Locomotive Company, in addition to its manufacturing of steam locomotives, occupies an important position in the automobile industry. An official of this company states that "Sales of Alco motor trucks and cars, manufactured by the American Locomotive Company, have received an impetus during the past year, and more of these vehicles are now being built and sold than at any other time since the company extended its activity to the production of trucks and pleasure cars.

"One influence in the increase of business has been the expanding of the dealers' organization, so that now the Alco product has representation in more than 60 cities in this country, in Canada, the Hawaiian Islands, the Philippine Islands, and Porto Rico. Branch houses have been established in New York, Chicago, Boston and Montreal.

"The Alco trucks are built in four sizes—2 ton, 3½ ton, 5 ton and 6½ ton. Of the Alcos in service 62 per cent. have been purchased on repeat orders and 65 per cent. are owned by concerns rated in Bradstreet's at $1,000,000 or over. The largest individual owner is the American Express Company, which, with its New York subsidiary, the Westcott Express Company, operates 38 Alcos of 3½ tons rating.

"Since its entrance into motor vehicle manufacture, the American Locomotive Company has maintained a far-sighted policy toward automobile and truck manufacture and distribution. As an indication a transportation cost bureau composed of experts in this work has recently been instituted. With this bureau the company analyzes the transportation needs of business houses, pointing out the waste in the horse system used. By scientific analysis and actual tests a comparison between motor truck and horse costs is made. A concern is shown whether



SCHENECTADY WORKS OF AMERICAN LOCOMOTIVE CO.

it may profitably employ trucks in its service and, if so, how many and of what capacity. This is a new idea and one that has gained favor with leading firms of the country."

From this it will be seen that although this branch of the American Locomotive's business is a comparatively new one, the results which should accrue during the next few years may make possible a new high rate of dividend on American Locomotive common.

In 1906 and 1907 this company earned in the neighborhood of 18 per cent. on the common stock, and paid dividends at the rate of 5 per cent. Its showing in the 1911 fiscal year was over 7 per cent. and is expected to reach 10 per cent. during the 1912 fiscal period. Nevertheless, American Locomotive sells at 42, and its probable future value is apparently overlooked by the majority of investors.

(To be continued.)

The American Can episode does not mean that low-priced stocks are to be bought promiscuously; discrimination must be used with a view of securing stocks in companies which are in no danger of receivership, while affording the most promising results within the shortest length of time.

Monthly Net Earnings

Returns of Principal Railroads Down to Latest Dates Available.

		Current month.	Change from last yr.	Fiscal yr. to date.	Change from last fisc. yr.	Stock Outstanding (in millions). Pref.	Com.
Atch., Top. & S. F.	Apr.	$3,504,337	+$568,950	$29,911,934*	—$1,199,872	114	170
Atlantic Coast Line	Apr.	1,029,436	+91,235	8,398,146*	—257,761	...	37
Balt. & Ohio	Apr.	2,419,341	+28,200	22,686,907*	+2,117,514	59	152
Boston & Maine	Apr.	989,401	+189,035	8,708,005*	+370,967	3	39
Buff., Rochester & Pitts.	Apr.	112,353	—28,764	2,433,999*	—248,667	6	10
Can. Pacific	Apr.	4,115,752	+958,777	35,771,125*	+5,040,050	61	180
Central of Ga.	Apr.	256,785	+99,806	3,573,260*	+77,530	None	5
Central R. R. of N. J.	Apr.	281,619	—780,212	10,672,716*	+334,143	None	27
Ches. & Ohio	Apr.	1,026,148	+247,012	9,649,365*	+523,308	...	62
Chic. & Alton	Apr.	178,633	—160,310	2,656,114*	—352,792	19	19
Chic., Burl. & Quincy	Apr.	1,537,086	—151,555	24,465,858*	—779,806	None	110
Chic. Great Western	Apr.	171,635	—48,110	2,390,721*	—309,239	40	45
Chic., Mil. & St. P.	Apr.	580,358	—478,339	10,644,587*	—1,678,851	116	116
Chic. & Northwestern	Apr.	1,472,250	+156,496	16,390,055*	—1,433,474	22	130
Cleve., Cin., Chic. & St. L.	Apr.	445,107	—1,132	1,866,881†	+125,630	10	47
Colorado & Southern	Apr.	246,898	—113,265	3,860,311*	—862,051	1st, 8; 2d, 8	31
Delaware & Hudson	Apr.	90,807	—586,117	1,851,863†	—460,342	None	42
Del., Lack. & Western	Apr.	190,343	—949,301	10,748,738*	—1,199,207	None	30
Denver & Rio Grande	Apr.	332,557	—136,434	4,484,759*	—959,748	49	38
Erie	Apr.	539,712	—691,714	11,591,582*	—1,420,974	1st, 47; 2d, 16	112
Great Northern	Apr.	1,724,027	+444,806	24,818,059*	+4,834,419	209	None
Hocking Valley	Apr.	49,503	—112,574	2,204,743*	+1,150,854	None	11
Illinois Central	Apr.	145,781	—678,584	5,850,198*	—6,720,658	None	109
Kansas City Southern	Apr.	208,726	—29,053	2,510,285*	—566,059	21	30
Lake Erie & Western	Apr.	55,231	+19,001	300,286†	+72,552	11	11
Lake Shore & Mich. So.	Apr.	1,197,812	+291,856	5,150,542†	+1,630,324	None	49
Lehigh Valley	Apr.	201,507	—1,180,356	9,742,861*	—1,280,941	...	60
Long Island	Apr.	94,380	—43,048	58,869†	+78,896	None	12
Louisville & Nashville	Apr.	1,233,868	+297,534	14,475,078*	+897,857	None	60
Michigan Central	Apr.	811,167	+297,067	2,769,182†	+1,060,089	None	18
Minn. & St. Louis	Apr.	107,043	—404	1,149,076*	—624,803	5	15
Minn., St. P. & S. S. Marie	Apr.	539,194	+328,323	5,510,704*	+2,158,878	12	25
Mo., Kansas & Texas	Apr.	357,513	—31,818	5,914,431*	—1,401,753	13	63
Missouri Pacific	Apr.	1,160,788	+199,224	10,761,308*	+710,445	None	83
National Rys. of Mexico	Apr.	1,325,091	—22,388	21,240,213*	+998,034	1st, 57; 2d, 240	149
N. Y. Central	Apr.	1,399,293	—907,861	6,213,577†	—81,002	None	222
N. Y., Chic. & St. L.	Apr.	214,735	—20,109	850,596†	+46,365	1st, 5; 2d, 11	14
N. Y., N. H. & H.	Apr.	1,863,497	+46,946	18,902,819*	+1,345,080	None	157
N. Y., Ont. & Western	Apr.	def. 108,578	—271,595	1,577,499*	—469,133	None	58
Norfolk & Western	Apr.	1,300,953	+346,215	11,620,059*	+950,452	22	85
Northern Pacific	Apr.	1,971,673	+82,833	21,444,216*	—84,354	None	248
Pennsylvania R. R.	Apr.	3,082,508	—376,526	10,650,145†	+97,077	None	453
Pere Marquette	Apr.	232,611	+53,552	2,662,250*	+19,536	12	16
Pitts., Cin., Chic. & St. L.	Apr.	670,313	—155,663	2,857,556†	+325,660	27	37
Reading	Apr.	159,049	—11,179	1,637,810*	+179,649	1st, 28; 2d, 42	70
Rock Island	Apr.	1,211,502	+123,222	12,862,564*	—2,109,093	49	90
Seaboard Air Line	Apr.	585,344	+32,392	4,899,421*	—580,235	23	37
St. L. & San Fran.	Apr.	821,434	—88,557	11,383,926*	—72,242	1st, 4; 2d, 15	28
St. L. Southwestern	Apr.	15,503	—70,104	2,712,292*	+223,823	19	16
Southern Pacific	Apr.	2,941,323	—52,656	33,437,398*	—2,799,934	None	272
Southern Railway	Apr.	1,673,896	+129,430	17,024,597*	+457,027	60	120
Texas & Pacific	Apr.	79,482	+2,146	663,783†	+81,089	None	38
Toledo, St. L. & Western	Apr.	108,636	+25,165	815,156*	—32,867	10	10
Union Pacific	Apr.	2,303,972	—71,861	26,633,000*	—3,453,614	99	216
Wabash	Apr.	def. 41,902	—448,544	4,861,278*	—1,699,404	39	53
Western Maryland	Mch.	203,785	—16,250	1,721,223*	—172,105	10	49
Wheeling & Lake Erie	Apr.	15,139	—130,152	2,020,858*	+404,327	1st, 4; 2d. 11	20
Wisconsin Central	Mch.	179,796	+53,881	1,796,766*	+295,930	11	16

*Fiscal yr. ends June 30. †Fiscal yr. ends Dec. 31.

THE BARGAIN INDICATOR

Comparative Earnings of Important Stocks

NOTE—The minus sign (—) before figures below indicates a DEFICIT for the year equal to the per cent. on stock given. Additions and betterments are included in earnings given, wherever distinguishable from ordinary expenses of maintenance, since earnings invested in improvement of the property increase the equity of the stockholders and therefore render the stock more valuable. The value of a stock cannot be judged by its position in the table only. Earnings for successive years as given should be carefully examined, with a view to stability and growth as well as amount. Latest earnings will be found in table of "Monthly Net Earnings" or "Investment Digest."

RAILROADS

	Present div. rate.	Earnings on par for fiscal year ending on any date during 1906.	1907.	1908.	1909.	1910.	1911.	Present price.	Earnings last fisc. yr. on pres. pc.	Notes.
Hocking Valley com.......	6	9.9	11.2	6.0	8.3	18.2	18.5	127	14.6	Very inactive. Controlled by Ches. & O.
Denver & Rio Grande pfd.	0	8.1	9.1	7.7	6.6	8.3	4.7	36	13.1	Contr. and finances W. Pac., wh. doesn't earn fxd. chgs.
Colorado & Southern com.	2	3.5	4.5	4.8	4.9	7.3	5.2	40	13.0	Controlled by C., B. & Q. (Hill management).
Southern Railway com....	0	1.9	—0.6	—2.2	0.5	2.3	3.1	28	11.1	
Kansas City Southern com.	0	0.3	5.4	2.6	3.4	2.2	2.7	26	10.4	
Twin City Rapid Tran. com	6	8.1	8.2	8.3	9.9	10.9	11.0	107	10.3	
Union Pacific com.........	10	14.2	16.5	16.2	19.1	19.2	16.6	168	9.9	Holds $307,106,000 secur. of other cos.
Lehigh Valley com........	10	18.2	20.0	19.2	15.4	23.0	16.5	171	9.7	Jan., 1912, ex. div. 10% and rights eq. abt. 8%.
Atlantic Coast Line........	7	10.8	6.3	5.6	9.4	12.0	12.8	140	9.1	Holds control of Louisville & N. by stock ownership.
Louisville & Nashville....	7	10.6	10.7	7.5	14.3	17.3	14.2	157	9.0	Controlled by Atl. Coast Line.
Southern Pacific com......	6	8.1	12.5	7.4	10.2	13.0	9.6	109	9.0	
Atchison com.............	6	11.8	15.0	7.7	12.1	8.9	9.3	106	8.8	
Reading com..............	6	13.9	13.0	12.7	13.2	16.1	13.8	165	8.4	Suit pending in Supreme Court.
Illinois Central	7	....	....	8.4	7.4	7.1	10.3	127	8.1	Div. probably not earned this yr.
Norfolk & Western com...	6	9.7	9.0	7.1	8.7	11.6	9.0	112	8.0	Controlled by Penna.
Brooklyn Rapid Transit...	5	4.8	4.4	4.1	4.2	5.6	6.8	88	7.7	Subways will doubtless enlarge earnings eventually.
Rock Island Co. pfd.......	0	....	....	....	....	1.6	3.8	50	7.6	R. I. Co. owns 94% of stock of R. I. Lines.
Erie com..................	0	2.2	3.0	—3.7	0.3	2.9	2.5	34	7.4	Actual earns. before approp. eq. 3½%.
Delaware & Hudson.......	9	12.6	15.2	12.4	12.2	12.5	12.3	168	7.3	
Buffalo, Roch. & Pittsb. com	5	8.6	8.7	6.2	6.3	7.3	8.0	112	7.1	Pfd. and com. share equally above 6%.
Mo., Kansas & Texas com.	0	1.8	5.0	0.4	0.7	0.8	2.0	28	7.1	
Pennsylvania Lines	6	11.7	10.7	9.0	11.0	9.3	8.6	123	7.0	Has paid divs. since 1856.
Chic., Mil. & St. Paul com.	5	12.3	10.5	9.5	7.2	8.0	7.1	103	6.9	Divs. will be pd. only as earned.
Northern Pacific com.....	7	14.5	15.1	12.8	10.7	9.0	8.2	120	6.8	Large equities in lands and C., B. & Q.
Chesapeake & Ohio.......	5	7.3	5.4	4.4	6.4	10.0	5.1	77	6.6	1911 earns. reduced by Chicago exten.
Canadian Pacific	10¼	14.1	13.7	10.6	8.6	16.0	17.3	265	6.5	Div., 1911, 7% R. R., 3¼% land sales, rights eq. abt. 8%.
Pittsb., C., C. & St. L. com	5	8.6	8.8	7.2	9.8	6.1	7.0	108	6.5	Pfd. and com. share above 5%. Controlled by Penna. Co.
Baltimore & Ohio..........	6	12.6	9.9	5.1	7.1	8.9	6.9	108	6.4	Owns 1/7th of Rdg. com. outstanding.
Great Northern pfd.......	7	13.0	11.8	7.1	8.3	8.5	8.3	133	6.2	Has large equity in C., B. & Q. and Canadian extensions.
Del., Lack. & Western....	20	22.2	38.5	40.8	52.8	35.4	31.8	543	5.9	"Other inc." reduced acct. segregation Coal Co.
Chicago & Northwest'n com	7	14.8	12.7	11.2	11.4	7.7	8.0	136	5.9	179 miles new road just completed.
N. Y., Ontario & Western.	2	2.0	2.8	2.6	2.3	2.3	2.0	35	5.7	
Chicago Gt. Western pfd..	0	....	....	....	....	1.2	1.9	34	5.6	
N. Y., N. H. & H........	8	12.2	9.2	5.4	7.4	10.3	7.1	135	5.3	Div. reduction under discussion.
Clev., C., C. & St. L. com.	0	4.1	3.1	0.4	4.8	2.1	2.8	55	5.1	
N. Y. Central............	5	4.6	6.2	5.1	7.7	6.4	5.7	118	4.8	Controls 1/7th Rdg. through Lake Shore.
St. Louis S. W. com......	0	—2.7	3.7	—4.2	—2.5	—1.1	1.4	33	4.2	Full div. of 5% on pfd. probable soon.
Minneapolis & St. L. pfd..	0	10.4	7.8	2.7	—2.4	1.9	1.9	46	4.1	
Minn., St. P. & S. S. M. com	7	11.7	9.6	8.4	8.8	15.7	5.3	142	3.7	Pfd. and com. share above 7%. Contr. by Can. Pac.
Chicago & Alton pfd......	0	4.9	9.0	6.5	8.2	5.4	0.6	35	1.7	Contr. by Tol., St. L. & W.—V. P. owns $10,343,000 pfd.
Western Maryland com....	0	....	....	....	....	0.9	0.4	58	0.7	Connection with N. Y. Cent. completed. Will help earnings.
Wabash pfd..............	0	—5.4	0.9	0.3	—0.5	1.3	—1.2	17	0	Now undergoing reorganization.
Lake Erie & Western pfd.	0	3.1	2.0	—2.0	0.8	—0.2	—0.1	38	0	Controlled by Lake Shore.
Missouri Pacific	0	8.1	9.9	3.7	1.3	3.3	—6.3	37	0	Deficit chiefly due to adjustment of old claims.
Wisconsin Central com...	0	1.7	3.2	—0.6	0	2.5	—4.3	54	0	Leased to M., St. P. & S. S. M. (Can. Pac. system).

Preferred stocks earning more than the per cent. to which the dividend is limited, but now

Leased to M., St. P. & S. S. M. (Can. Pac. system).

Preferred stocks earning more than the per cent. to which the dividend is limited, but now receiving either no dividend or less than said limit:

Erie 2d pfd.	0	19.4	24.9	—22.1	6.4	24.3	21.7	41	52.9	Entitled to 4% before com. divs.
St. L. & San Fran. 2d pfd.	0	13.2	24.7	1.6	8.2	5.8	8.3	36	23.1	Entitled to 4% before com. divs.
Erie 1st pfd.	0	10.4	12.3	—3.4	6.1	12.1	11.2	52	21.5	Entitled to 4%.
Southern Railway pfd.	4	8.7	3.8	0.7	6.0	9.6	11.1	74	15.0	Entitled to 5%.
St. Louis S. W. pfd.	4	2.8	7.9	1.6	2.9	4.1	6.1	76	8.0	Full rate of 5% probable soon.

INDUSTRIALS

	Present div. rate.	Earnings on par for fiscal year ending on any date during 1906.	1907.	1908.	1909.	1910.	1911.	1912.	Present price.	Earnings last fisc. yr. on pres. pc.	Notes.
Bethlehem Steel pfd.	0	5.1	10.8	2.4	5.3	13.4	13.6	....	70	19.3	Has about completed large additions.
Am. Beet Sugar com.	5	2.1	1.0	4.2	7.0	7.3	10.9	13.5	74	18.2	
Am. Locomotive com.	0	17.7	18.1	11.1	—3.1	1.3	7.3	....	41	17.8	Also mfrs. autos.
Inter. Harvester com.	5	5.1	6.5	7.8	17.8	14.8	20.0	....	120	16.7	Govt. suit pending. 40% of business now foreign.
Am. Agri. Chem. com.	4	4.1	6.2	6.1	7.5	10.4	9.1	....	61	14.9	
Am. Malt. Corp. pfd.	4	2.8	—4.0	10.6	6.2	3.0	8.8	....	61	14.4	
Am. Car & Foundry com.	2	4.5	20.1	23.8	2.6	6.6	7.1	....	59	12.0	$600,000 set aside for com. divs.
Nat. Enam. & Stamp. com.	0	1.7	6.7	—2.1	1.1	1.7	1.8	....	16	11.3	
U. S. Realty & Imp.	5	4.8	6.0	7.7	9.2	9.7	9.4	8.3	76	10.9	Controls Geo. A. Fuller Construction Co.
General Chemical com.	6	7.3	5.7	4.5	14.4	15.6	15.5	....	143	10.8	5% stock div. 1912.
Republic Iron & Steel com.	0	3.8	8.5	2.0	0.7	4.6	2.5	....	24	10.4	Div. on pfd. passed last meet.
Colo. Fuel & Iron com.	0	1.7	0.9	0.4	2.1	4.0	3.2	....	31	10.3	Pfd. in arrears amt. eq. to 4% on com. for 1 yr.
U. S. Rubber com.	4	4.1	4.4	0.2	4.0	7.8	2.2	6.3	64	9.8	Recently placed on div. basis.
Distillers' Securities	2	6.4	7.8	1.5	2.2	2.3	3.1	....	32	9.7	Holds maj. U. S. Ind. Alcohol, which earns 6%.
Sears, Roebuck com.	7	6.6	8.5	4.5	18.4	20.5	17.0	....	189	9.0	In 1911 p'd a 33⅓% stock div.
Inter. Paper pfd.	2	8.9	7.2	7.3	2.7	4.5	5.3	....	60	8.8	Earn. last 6 mo. 1911, 4.6%. 6% cum. div. in arrears.
United States Steel com.	5	14.4	15.7	4.0	10.5	12.3	5.9	....	69	8.6	U. S. Govt. suit pending.
Westinghouse Elect. com.	1	....	....	....	....	7.6	12.3	6.2	73	8.5	Div. 1% decl. April 30, 1912. Rate not fixed.
Corn Products pfd.	5	....	7.2	8.5	8.2	6.9	7.0	6.9	81	8.5	Div. cumulative and in arrears.
Union Bag & Paper pfd.	4	7.3	7.0	7.4	6.2	5.4	5.5	5.3	62	8.5	In arrears on 7% cum. div.
Inter. Steam Pump com.	0	....	3.7	2.0	1.4	2.8	2.1	....	25	8.4	
General Electric	8	11.7	11.6	10.2	7.4	16.7	13.7	....	170	8.1	
People's Gas Light & Coke	7	6.9	7.6	8.4	8.9	9.0	8.9	....	114	7.8	Recently won suit against 80c. gas.
Pacific Coast com.	6	10.1	10.3	5.7	5.3	8.8	7.2	....	95	7.6	Com. and 2d pfd. share equally above 4%.
North American	5	3.2	4.7	4.8	6.0	6.2	6.2	....	82	7.6	Controls St. Ry. and Elec. Light Cos.
Am. Smelt. & Refin. com.	4	10.6	12.8	7.0	7.7	7.1	6.3	....	84	7.5	1911, 10.9% includ. equity in Smelt. Sec. Co. earn'gs.
Am. Woolen com.	0	3.5	—3.3	—3.9	5.2	2.2	2.1	....	29	7.2	Subject to tariff adjustments.
Am. Sugar Refin. com.	7	....	12.4	7.5	3.9	3.8	9.1	....	130	7.0	1911 earns. exclude $3,450,627 chgd. "improvements."
Am. Linseed pfd.	0	....	....	....	5.8	4.5	2.6	....	38	6.8	
U. S. Cast Iron Pipe pfd.	0	14.0	14.7	5.4	1.2	4.4	3.9	....	58	6.7	Controls 75% of U. S. production.
Western Union	3	5.9	5.0	1.7	5.8	5.7	5.4	....	82	6.6	Controlled by Am. Tel. & Tel.
Va.-Carolina Chem. com.	3	4.8	5.9	3.7	7.1	10.4	3.1	....	48	6.5	Owns Southern Cotton Oil Co.
National Biscuit com.	7	7.1	7.6	8.1	7.4	7.7	9.8	10.0	156	6.4	Paid 2% extra last fisc. yr. Operates 45 plants.
National Lead com.	3	5.3	6.0	5.8	6.2	4.3	3.6	....	57	6.3	
Utah Copper (par $10)	30	....	5.9	23.3	29.5	34.6	39.7	....	$64	6.2	
American Can pfd.	5	5.1	6.4	6.6	6.7	6.8	7.1	....	117	6.1	Divs. in arrears. Chgd. deprec'n, 1911, $2,500,000.
American Tel. & Tel.	8	8.2	9.0	10.1	9.0	10.0	8.5	....	145	5.9	Large equities in sub. co. earnings.
Pullman	8	14.7	11.6	9.8	10.9	11.6	9.3	....	160	5.8	
Pittsburgh Coal pfd.	5	8.1	10.0	1.7	3.0	7.2	5.1	....	89	5.7	Divs. in arrears.
Consolidated Gas (N. Y.)	6	....	3.9	4.9	6.7	7.4	7.6	....	142	5.4	
Tennessee Copper (par $25)	6	16.5	16.0	6.5	6.8	8.9	8.1	....	$44	4.6	Income chiefly from sulphuric acid.
Amalgamated Copper	4	5.9	9.2	4.3	2.4	3.9	3.9	....	84	4.6	Controls Anaconda and other Butte and Mex. mines.
Am. Hide & Leather pfd.	0	1.9	2.2	—0.1	11.2	—5.6	0.5	....	25	2.0	
Railway Steel Spring com	0	8.7	8.6	—1.3	5.3	6.0	0.3	....	35	0.9	
Pressed Steel Car com.	0	17.2	13.3	—5.8	7.7	5.5	0.1	....	35	0.3	
Central Leather com.	0	0.4	0.4	1.3	6.3	—2.1	—5.1	....	25	0	
Pacific Mail	0	1.4	0.7	—2.1	—1.7	—1.1	—1.0	—0.1	33	0	Contr. by So. Pac. Panama Canal should inc. earn.
Am. Steel Foundries	0	5.9	14.0	0.3	0.1	6.1	—1.5	....	37	0	1911 earnings are 17 mos. Fisc. yr. changed.
Sloss-Sheffield com.	0	5.3	9.9	4.9	6.6	2.0	—0.6	....	54	0	
Am. Cotton Oil com.	0	3.8	8.7	3.2	10.4	6.8	—1.2	....	52	0	

The Guggenheim Exploration Company

Analysis of Its Holdings, Income and Prospects, Showing Its Relation to Other Guggenheim Securities

By J. HOWARD GIBBS

THE recent listing of Guggenheim Exploration on the Stock Exchange has attracted general attention to the possibilities of that stock. It was first traded in on the Exchange June 13, and an active demand developed, carrying the price from 57 to about 63 in two days on transactions of 20,000 shares a day.

As the par value of the stock was recently reduced from $100 to $25, the quotation of 60 on the new stock represents 240 on the former par. It is assumed that the reduction in par was made in order to bring the stock down to a popular trading price, and now that it is listed on the Exchange no reason is apparent why it should not become a speculative favorite.

Guggenhem Exploration is an investment company. Its tangible property directly owned consists of only $2,704 worth of furniture and fixtures. Its remaining assets are composed of treasury stock, other stocks and bonds, bills and accounts collectible, cash and demand loans. These assets are figured in the balance sheet at $45,474,000, while the liabilities consist of $22,000,000 capital stock and $23,474,000 surplus.

However, as the company's investments are carried at cost, the balance sheet does not show the real value of the assets. Present prices are above cost in nearly every case. Figured on current quotations, the market value of the company's assets would be in the neighborhood of $60,000,000, making a surplus of about $38,000,000 instead of $23,000,000 as shown in the balance sheet.

Guggenheim Exploration Co. was incorporated in 1899. It controls various mining properties in the United States, Mexico and Canada. It is far from including the entire interest of the Guggenheim family in the mining situation, as they are large owners in other companies also. At first their interests were chiefly in gold, silver and lead, and they still practically control the silver and lead production of the country. Their various smelters controlled some copper production, but this they turned over to the United Metals Selling Co., receiving in return the entire silver production of that company.

About five years ago the Guggenheims turned their attention to copper also, making large investments in Utah Copper, Nevada Consolidated and Cumberland Ely, now all controlled by the Utah Copper Co. They are also interested in the Braden property in Chile and in the Bonanza property in Alaska, which produces about 2,000,000 lbs. of copper per month. They have also, through the American Smelting and Refining Co., made contracts for the refining and selling of copper from the Ray Consolidated, Chino and other mines.

For the year 1912 it is probable that the Guggenheim interests will find themselves in control of over 500,000,000 lbs. of annual copper production, which would make them the leaders in the copper world.

The largest holdings of the Exploration Co. are of American Smelters Securities, 154,000 shares of preferred "A" stock and $1,500,000 of 6 per cent. bonds; Utah Copper Co., 404,504 shares, and Yukon Gold Co., 2,769,639 shares.

Up to last year the Exploration Co. also owned $11,249,000 par value of the common stock of Smelters Securities. This was carried on the books at the nominal value of one dollar. In 1911 this stock was sold to the American Smelting and Refining Co., yielding net proceeds of $6,747,000.

Up to 1910 the American Smelting and Refining Co. and the Smelters Securities Co. reported separately. The Securities Co. showed about 1.7 per cent.

earned on its common stock in 1909 and 3.8 per cent. in 1910. For the six months ending November 30, 1910, earnings were at the rate of 3.2 per cent. per annum. In the 1911 report, however, the two companies were combined, so that it is impossible to figure the exact earnings of either separately. This was done because the Smelting and Refining Co. now owns all the common stock of the Smelters Securities Co. The combined earnings amounted to about 11 per cent. for 1911 on the common stock of the Smelting and Refining Co.

These liberal earnings have led to reports of an increase in dividends. Certainly, as matters stand now, the increased earnings of the Securities Co. will all go to American Smelting and Refining, since the Guggenheim Exploration owns nothing but bonds and preferred "A" stock in the Smelters Securities Co. Dividends on these are of course secure.

With the holdings of Guggenheim Exploration in the Utah Copper Co. the situation is quite different. The Exploration Co. will participate in all the profits of Utah Copper to the extent of its 404,504 shares of the stock. Utah's prospects for increased earnings are bright. For 1911 its production was over 93,000,000 lbs., and net profits, including income from its holdings of Nevada Consolidated, were $6,238,000, or about 39.7 per cent. on the par value of the stock.

It must be remembered that 1911 was a year of very low prices for copper. On the basis of 17 cents for copper metal, it is assumed that Utah Copper would earn about $7 annually on each $10 share, or 70 per cent.

At this writing, copper metal is firmly held at 17½ cents. It is clear, therefore, that there are great possibilities in the Exploration Co.'s holdings of Utah Copper. Utah's cost of production for 1911 was the lowest ever reached by the company, 7.86 cents per pound. During the year about 100,000,000 tons of ore were added to reserves, making a total of 300,000,000 tons fully or partially developed. The life of the mine is estimated at over 40 years.

The 1,000,500 shares of the Nevada Consolidated, which are owned by the Utah Copper Co., are carried on its books at only $4.50 per share, while the present market valuation is over $20. Here is a large "concealed asset" of the Utah Copper Co. Nevada's current earnings are higher than Utah's, on the market value of the stock, but Nevada's probable life is estimated at only 13 years. The present price of Nevada fairly represents an amortized "present worth," based on about 13 years of life and 14 to 15-cent copper.

The Exploration Co.'s 2,769,639 shares of Yukon Gold represent a large majority ownership, as the total number of shares outstanding is 3,500,000, of $5 par value each. Yukon was incorporated in 1907 as a consolidation of several dredging and hydraulic mining companies in the Klondike district of Alaska. Its property and investment are carried on the books at $11,885,000. The costs of both dredging and hydraulic mining have been materially reduced in the last two years.

Dividends of 4 per cent. were paid in 1909, 8 per cent. in 1910, and 7½ per cent. in 1911, and the company's prospects seem to be good, but it is impossible to estimate the value of its properties, so that the duration of its earning power is problematical. For this reason the stock sells below par. The Exploration Co.'s holdings cost $3.57 a share, which is about the present market price.

Guggenheim Exploration also owns 36,600 shares of the Chino Copper Co., carried on the books at $22 a share, a total of $806,740. The present price of Chino is around 35, showing a large profit on this investment.

For the past three years the Guggenheim Exploration Co.'s surplus and annual profits (disregarding changes in market prices of its stock) have been as follows:

	Surplus	Annual profits
1909	$13,857,000	11.0%
1910	15,124,000	16.1%
1911	23,474,000	17.7%

The annual report states that "It is the purpose of the directors from time to time, as opportunities offer, to invest in other properties which, in their opinion, will yield satisfactory returns." If

this policy is consistently maintained, it means, of course, that the stock will grow more valuable year by year as the result of reinvestments of earnings. Judging from past experience, no investor will in the long run make a mistake in following the lead of the Guggenheim family. Their success in accumulating an immense fortune has been almost unparalleled.

Another Guggenheim property, not included in the Exploration Co., is Federal Mining and Smelting, but this is not at present as successful as the other companies discussed above. It produces lead and silver. The fiscal year 1910 showed a deficit after the payment of the preferred dividend at the rate of 7 per cent., and in 1912 the rate was cut to 6 per cent. Uncertainty in regard to the tariff on lead was given as the reason for the cut. However, in the fiscal year ending August 31, 1911, earnings of 6.7 per cent. on the common stock were shown, after payment of 7 per cent. on the preferred.

American Smelters Securities Co. owns 32,000 of the 60,000 shares of Federal common stock now outstanding. This is understood to have cost the Smelters Co. about 120 and the present market price is below 20. In 1906 this common stock paid 17 per cent. dividends, but dividends were discontinued in 1909 and no more are now in sight. Perhaps this should be taken as an indication that the judgment of even a Guggenheim is not infallible.

It has sometimes been assumed that the Guggenheims also controlled National Lead, but this is not the case. That company is in the hands of other interests, the Guggenheims having disposed of their holdings several years ago.

It will be observed from the above that the prospects of an advance in the price of Guggenheim Exploration are chiefly dependent upon its holdings of copper shares. Since it has disposed of its Smelters Securities common stock, retaining only the bonds and preferred stock, it does not share directly in the increased profits of that company. Its principal investments in common stocks are now in the copper companies. For this reason the recent sharp advance in the price of copper metal should reflect very favorably upon the income of the Exploration Co.

Our Position in the Trade Cycle

THE most important factors I see at the present time—the results of our extravagance and over speculation—are great outstanding indebtedness, including vast corporate inflation, increasing cost of living, lessening profiits, living beyond our means, and heavy realty inflation. These are steadily diminishing the purchasing power of the consumer, which means, eventually, liquidation in all lines, and a return to more frugal habits and debt paying.

This process will eventually provide the groundwork and materials for another great upward movement, placing us finally on a still higher plane of living than ever before.

Increased bank clearings will not prove satisfactory if net profits are less or losses incurred at the end of the year. Bank clearings for 1911 showed more business in dollars than 1910, yet nearly everyone will admit that the results were less satisfactory.

Increasing bond sales and growing bank surplus simply indicate caution and a lessened demand for money. The gradual growth from year to year in the per cent. of imports over exports is not a pleasant feature to contemplate, especially when we realize, on looking over the list, that luxuries show a decided increase.

Excited political and socialistic agitation is like bubbles on the surface of heated waters, pointing to causes below. The increasing cost of living and decreasing margin of profit are constantly at work intensifying existing conditions.

It is no easy task we have before us. It will take time and self-sacrifice and a general readjustment. To this we all naturally object, and will not submit until we are forced.—FRANK CROWELL.

The Investment Digest

THE sources of items are indicated as follows: *Leading financial and investment publications. †Banking and Stock Exchange houses. §From official sources. Neither "The Magazine of Wall Street" nor the authorities quoted, guarantee the information, but it is from sources considered trustworthy. Owing to the vast amount of information condensed into these pages, many abbreviations are necessary.

Allis-Chalmers.—*Nathan Eiseman files petition in foreclosure in behalf of Co. He alleges, the Pres., on May 10, stated there was on Jan. 1, $900,000 cash in treasury, applicable to payment on first mortgage bonds; that on March 22 there was $1,116,909 on hand, and that receivers had sufficient funds to cover default on mortgage. In accordance with reorganization plan, about 77% of common stock, and over 83% of pfd. are deposited.

Amer. Agricultural Chem.—*Net earnings for fiscal period to June 30 will show but small increase over 1911. Last year was poorest fertilizer Cos. every had. Co. has now about $1,200,000 more common than year ago, bringing issue up to $18,000,000. This stock was issued in part payment for properties acquired during year. In 1910 Co. earned 10.5% on common. Last year dropped to 9.0%. This year will probably reach 10%.

American Can.—*Earnings current year will surpass any other, with net for dividends between $6,000,000 and $7,000,000 compared with $3,000,000 last year, when increase in net about $2,000,000, was charged off for depreciation. Had this heavy charge not been made, would remain for dividends about $5.-000,000, or more than 10% on pfd. If this year shows $6,500,000 for dividend it will equal 15.7% on pfd. Co. should be justified on present earnings in increasing pfd. dividend to required 7% and paying off small percentage on 32% accumulated back dividends amounting to $14,431,655. Co. has cash balance over $3,500,000 which is expected to increase to about $6,000,000 by end of fiscal year, also calendar year. At end of 1910 cash was but $1,377,417, increasing to $2,000,000 in following year. Co. not expected to do any financing to pay off back dividends.

American Car & Fdy.—†Business since beginning of current calendar year of large volume, with orders heavier than any time since 1907. Cars ordered first 4 mos. of year approximate 30,000, sufficient to operate plants at full capacity for over 3 mos. Profits will be satisfactory as cost of materials is low and offsets comparatively low selling price of cars. Annual report for fiscal year ended April 30 will be published shortly. Balance for dividend expected equivalent to 4% or 5% on common stock.

Am. Hide & Lea.—*Net earnings will show over 1911, probably an increase of 40% to 50% for interest and sinking funds. 1911 Co. earned $818,934 for purpose compared with but $81,501 in 1910, poorest year in Co.'s history. Fiscal year doing better and will run between $1,100,000 and $1,200,000. Since Jan. Co. handled business through own selling organization rather than through agents. Production of 3 sole leather tanneries amounts to over $2,000,000 gross annually. This added to upper leather may produce $20,000,000 this fiscal year.

American Ice.—*Co. recently sold to N. Y. banking syndicate $3,000,000 6% 30-year bonds. Sale gives Co. cash to redeem $3,000,-000 notes sold 3 years ago. Co. holds in treasury $754,000 of these notes and thus at least $750,000 cash remains in treasury after retirement of notes. Some $250,000 first mtg. bonds on Balt. property are redeemed from earnings. Another $100,000 went into purchase of bonds on Wash. property, also between $700,000 and $800,000 in new plants producing artificial ice. New bonds sold, are part of authorized issue of $6,500,000. Remainder will be sold to finance future growth.

Am. Locomotive vs. Baldwin.—*American Co. has capital of $50,000,000 against $40,-000,000 of Baldwin Co. While former has bonded debt and notes totaling $7,829,500, latter has but $14,200,000. Thus total obligations of former are $57,982,500 against $54,200,000 of latter. American Co. year ending June 30, 1911, showed gross sales of $40,649,385 against $29,342,586 for Baldwin, yet American earned only $3,565,562 against $3,443,490, or about $322,000 more than Baldwin. Thus efficiency of Baldwin plant is indicated. American has capacity of about 3,300 locomotives to 3,000 for Baldwin. Owing to larger capital American paid about $1,750,000 on pfd., Baldwin only $1,400,000, so there was left for common on American $1,815,562 against $1,843,490 for Baldwin. These figures show Baldwin earned 16% on pfd. last year and 9.2% on common, whereas American earned 14% on pfd. and 7.2% on common. American has sold $3,600,-000 of authorized $6,000,000 5% gold note issue. Part of proceeds will be used to retire notes maturing Oct. 1, 1912.

Am. Smelting & Ref.—†Strong probability of common stock being increased to 6% although market action does not indicate it. A leading interest in Co. says, "earnings are sufficient to justify 6% now."—*Arrangements

are complete for quotation of Smelters stock on Paris Bourse and official listing is expected in June. New men are gradually being employed at Balt., where output was interrupted by strike, plant now operates about 75%, which will be brought to full capacity as new men are broken in.

Amer. Sugar Ref.—†Undivided surplus at close of fiscal year $21,047,590, equivalent to over $46 per share of common.

Am. Tel. & Tel.—*Sale by N. Y. Tel. (controlled by Am. Tel. & Tel.) of $20,000,000 additional 4½% 30-year bonds, increase Co.'s outstanding bonded debt to $70,000,000, leaving $5,000,000 additional bonds issuable under mortgage. N. Y. Tel. ranks as largest operating telephone property in world, with gross earnings including associated Cos. for 1911 totaling $59,019,410 or one-third gross receipts of entire Bell system. Net earnings of parent Co. last year $15,223,000 against net of two years previous of $10,572,000, increase 50% in 24 months. Even with increase of $20,000,000 in bonds Co. will earn interest 4½ times over. Pres. Vail plans grouping 33 or 34 subsidiary Cos. of system into 8 principal districts covering entire U. S. The Bell Cos. today reach 30,000,000 people against 12,000,000 six years ago. In 1911 average earnings showed a reduction of $3.50 per unit, a reduction of $23,000,000. The people saved this $23,000,000 but still had communication with double number of people.

Assets Realization Co.—*Co. received $275,000 for services liquidating Bank of North America. All indebtedness of bank paid and dividends of $20 a share paid stockholders. Further dividend of $20 a share probable, in addition to equity in bank building for which Assets Co. are offered $1,000,000, stockholders may eventually receive par for shares.

Atchison.—*Decrease of $290,407 in April operating expenses increased the gross, and net showed gain of $504,025. This is largest comparative gain in net in current fiscal year. In March and April Co. cut operating expenses $480,000. July, August and Sept. expenses were $1,000,000 more than previous year. Total increased expenses for 10 mos. ended April, $629,068. For 10 mos. decrease in net was $1,853,146, but smaller gross was responsible for but $570,704. Increased taxes accounted for $653,273 and taxes had more to do with reducing net, than smaller business or larger operating expenses. End of year will show Atch. behind last year's net. To equal last year's showing Co. in last two mos. of fiscal year must make up $1,853,146.

Baltimore & Ohio.—†Co. plans $20,000,000 bond issue. A prominent director says board working for some time on comprehensive financial plan, and while $20,000,000 is planned, exact amount not determined. Management adheres to policy of reinvesting all surplus in excess of reasonable margin over dividend requirements.—*During 10 mos. (July-April inclusive) $22,886,620 was expended in maintenance of way, structure and equipment out of gross earnings or 30.01% of total revenues. Gross for full fiscal year will exceed $90,000,000, breaking all previous records.

Bethlehem Steel.—†Co. made largest sales and profits in its history last year. Earnings equaled more than double 7% dividend requirements on pfd., on which no dividends were paid since 1906. Pfd. is non-cumulative, so no back dividends offset investment of surplus in business instead of paying dividends. First quarter of 1912 orders approximated $12,250,000 or $49,000,000 per annum against gross of $30,093,022 in 1911. It seems probable that both business and profits will exceed 1911 when earnings on common equaled $7 after allowing $7 per share on pfd.—*Co. just sold $15,200,000 bonds of an issue of $50,000,000 for retiring obligations and working capital. New financing saves Co. $675,000 which combined with additional working capital should be satisfactory.

Brooklyn Rap. Transit.—*For 11 mos. to June 1 gross increased $1,021,000 over same period of 1911. This is $144,000 more than gain all of late year. The 12 mos. should close with increased income from elevated and surface lines better than $1,100,000, making it best year since 1906. Co. had in 1911 about $900,000 of "other income." If that equals last year, total receipts will cross $23,000,000 mark. A large shareholder says: "Under proposed agreement with City of N. Y. for construction of 162 miles new subway and elevated routes Co. is practically guaranteed 7% for entire length of contract."

Brooklyn Union Gas.—*Past years' earnings averaged over 15% and dividend payments 6½% per annum. Gross for 1912 will total almost $10,000,000 and balance for dividends will exceed $3,100,000. After amortization earnings will still show more than 10% on $18,000,000 stock.

Canadian Pacific.—†With two mos. yet to be heard from it appears probable the gain in gross will exceed $20,000,000. Extensive double tracking is now in progress, several hundred miles in new mileage now being added and equipment constantly increased. Net earnings $35,771,000 for ten mos. of fiscal year, an increase of 16½% over corresponding mos. of 1911. This indicates for full period Co. will earn $21 per share on common. Accumulated surplus at end of year will approximate $70,000,000, evidencing another "ripe melon" in perspective.

Central Leather.—†Profits understood to be looming up substantially with leather at highest prices in years. All fear that Co. will not earn pfd. dividends this year has passed.

Chesapeake & Ohio.—*In 9 mos. to March, Co. about earned entire year's dividend of 5%. Earnings for fiscal year to June 30 will be between 6% and 7%. Last year 5.14% was shown. In 9 mos. of year gross increased 3%. It cost 2% more to run property and over $350,000 more

spent on maintenance of equipment this year.—†Confidence in ability to maintain present 5% rate strengthened by showing the road is making in earnings. Large increase reported for March proved to be more than temporary, for April returns show increase of $577,000 gross and $247,000 in net.

Chicago & Alton.—*An unpaid rental of $30,000 for terminal facilities due Peoria & Pekin Railway prevented Chicago & Alton trains entering Peoria for 16 hours. Embargo only raised when officials of C. & A. wired funds. Pres. Shonts announces completion of arrangements for funds for grade reductions, terminal enlargements, and to improve facilities. A $20,000,000 6% gold bond issue is proposed to substitute present improvement and equipment mortgage. $4,500,000 bonds are already acquired by Union Pacific which covers present requirements. Co. may soon be termed a Harriman road as Union Pacific owns $10,343,000 pfd. stock.

Chicago, Mil. & St. Paul.—†Business continues heavy, with traffic receipts ahead of last year. April gross to be published shortly, will approximate $4,975,000, an increase of $225,000 over last year. Operating conditions not altogether favorable. A small loss will be reported. Co. is making larger expenditures for maintenance than last year. Charges for improvement of physical condition about $100,000 monthly over last year and consumes 28% of gross. Co. will earn equivalent to $3 per share for entire fiscal year. The 5% common dividend will be maintained over next meeting as receipts beginning with fall mos. will show substantial gains.—*A year ago St. P. received in dividends about $5,000,000 in addition to interest on bonds held of Puget Sound line, but in current fiscal year no dividends are expected. Of $35,000,000 4½% convertible bonds, about 97% were taken by stockholders. These bonds maturing 1932 are convertible into common stock at par on or after June 1, 1917, or prior to June 1, 1922.

Chicago & Northwestern.—*For April, and 10 mos. of current fiscal year, Co. reports decrease over $200,000 in operating income, compared with corresponding previous year. Smaller receipts due directly to decrease of $2,500,000 in freight earnings. About $400,000 less was spent on maintenance but $400,000 more on equipment. In Feb. road disposed of $15,000,000 4% bonds to pay for 179 miles of road recently completed. Estimating earnings for current year, together with other income and fixed charges for the period Co. earned 6.65% on common stock. This compares, after preferred dividends of 8.26% in previous year. While road will fall short of its common dividends a profit and loss surplus at end of last year, over $33,000,000, indicates it will disburse usual 7% on common stock.

Chicago, St. P., Min. & Omaha.—*Co. failed to earn dividend requirements for ten mos. by a margin of $209,812. Surplus after charges of $1,520,943, while dividends for pfd., and common stocks required $1,730,755, Co. suffered steady decline in earnings since July last, April being only mo. thus far to show increase in gross and net. Net for ten mos., not only showed decrease equivalent to 26%, but was lowest of last six years. Gross lost $1,001,060. To offset this loss, there was no saving in expenses, a saving of $100,272 in maintenance having been more than consumed by $128,146 increased trans. expenses. Co. will hardly earn dividend requirements this year. Present rate is 7%, and unless conditions become worse next year, rate will be continued.

Col. Fuel & Iron.—*Co.'s charter expires in fall. It is said Co. will consolidate with Colorado Industrial Co.—former owning all stock of latter, and guarantees indebtedness. Last year Fuel & Iron Co. earned $1,260,000 over all charges. In April, indications were, that 8 mos. earnings would show surplus after charges more than $1,500,000.

Colorado & Southern.—†Earnings continue to show large losses, but dividends well secured. Surplus for dividends in ten mos. to end of April declined approximately 30%, but Co. earns full year's dividend on all three classes of stock with fair balance remaining. Business now showing first definite signs of improvement.

Consolidated Gas.—Div. payments indicate conservatism. System had $9,000,000 cash on hand Dec. 31 last. Combined net surplus of the entire system was $37,100,000. Reserves for renewals, all contingencies, and premium from stock issues, totaled $44,300,000. These total $81,400,000 equivalent to over 80% on outstanding stock, and nearly 50% on gross outstanding capital. In addition, assessment of real estate, and personal property, aggregates $133,350,000. System's surplus grew in two years, nearly $15,000,000, while reserves increased more than $9,000,000.

Denver & Rio Grande.—*Estimated income from operations and investments to June 30, will approximate $7,000,000. Including Western Pac. interest of $1,250,000 in fixed charges (Denver being responsible), it will not cover these obligations by about $300,000. Expenses during summer will be heavy. In April they were 80% of gross. Western Pac. that mo. earned $43,843 gross, and net $87,123. Statement showed cash on hand $2,000,000, and $4,250,000 market value in securities free in treasury and available for quick assets, if required. June 10 Co. will also have $2,500,000 from first installment of subscription to new $10,000,000 adjustment income bonds.

Distillers.—*U. S. Indus. Alcohol, principal subsidiary of "Distillers Securities," shows March net to be $100,000, or largest mo. in Co.'s history, and now earning better than 6% on its $12,000,000 common stock. Distillers Sec. will be chief beneficiary from inauguration of dividends, by holding $6,100,000 or 51% of Alcohol com-

mon. Still 4% would amount to less than 1% on Distillers Sec. stock. Germany consumes 40,000,000 gallons industrial alcohol annually, while U. S. only 4,000,000 gallons. This Alcohol Co. furnishes at least 50%.

Erie.—†For entire month of April, mining operations were suspended. Erie appears especially hard hit. In tons, over 55% of Erie's traffic is coal, and gross earnings for April decreased $626,000, or more than 14%, while net declined $691,700 or 56%. Opr. expenses and taxes consumed 85.9% against 72% for April, 1911. May returns will show improvement. Mining operations were resumed May 1, and coal moves freely again. Gross for May expected to approximate May of 1911 with a light net loss.—*Erie let contracts totaling $10,800,000 covering requirements for 215 miles second track between N. Y. and Chicago. This covers 1912 construction program. Total second track planned, amounts to 376 miles, which when complete gives Co. complete double track low grade line between two cities.

General Electric.—*Co. needs only $800,000 net per an. to meet fixed charges on plant investment. This is less than 10% of balance for dividends in any of last 3 years. It is doubtful if any great industrial organization carries its plant at so low a figure that but 1% on gross is needed to meet carrying charges. Patents are of tremendous value, yet carried on books since close of 1906-7 at but $1. Altogether Co. expended since organization about $20,000,000 in buying patents, writing down patent accounts, or defending infringement, a sum equal to $25 per share on $77,000,000 stock, but balance sheet carries whole amount at but $1. Sales now running at rate of $78,000,000 per an. against $69,000,000 last year, an increase of $9,000,000, or 13%. Co. now has working capital enough to take care of $100,000,000 of sales, and can count on between $5,000,000 and $7,000,000 net yearly above dividend requirements. Co. wrote off its copper investment of $2,800,000 at end of 1911.

General Motors.—*Sales in April aggregated $8,000,000. This represented cash payments from cars delivered customers. In first 9 days of May Co. took in $3,600,000 additional cash, and receipts for full month will probably total $10,000,000. This means cash receipts during four mos. of $27,000,000. Co.'s total gross business is about $55,000,000 per an. All bills are discounted, and Co. has over $4,000,000 cash. Co. sold to date, over 32,000 cars of 1912 model, with nearly 5,000 unfilled orders in hand.

Great Northern.—*At end of 9 mos. Co. earned full year's interest charges, covering entire year's requirements and with considerable to spare. Surplus for last 3 mos. of fiscal year will all be "velvet." Official figures for April not available, but estimated gross $500,000 better than last year. At end of 9 mos. opr. expenses were $900,000 below same period of 1911. In 9 mos. taxes show small increase over last year, while income from "outside operations" show small decrease. Officials believe gross for year ending June 30 next, will be 8% larger than last. On this basis road will show gross $66,158,243 for 1912, against $61,257,633 in 1911. All this gain is expected to be for net. Allowing for increased "other income" this year, and heavier interest charges, Co. should earn 10%. Last year it earned 8.34%. Other income will be larger mainly because full benefits from payments on $30,500,000 Spokane, P. & S. bonds will be enjoyed this year. Interest charges will be heavier, because of sale in 1911 of $35,000,000 4½% refunding bonds. (See Hill Roads.)

Guggenheim Exploration. — *Directors meet early next month to consider dividends. Increase will probably be made and place stock on 12% basis. Last year corporation earned 17.7%, and earnings now on improved price of copper are considerably larger. Co. owns 400,000 shares Utah Copper stock, which gives equity of about 25% in Utah's earnings, which, on 16½c. metal earns about $9 per share per an., or a total of $14,175,000. After Utah's dividend, which calls for $4,725,000, and of which Exploration Co. receives about $1,200,000, Exploration Co. has equity of $2,365,000 in balance of Utah earnings. New Guggenheim Exploration stock, to be issued in conformance with plan to reduce par from $100 to $25 per share, now traded in on N. Y. Stk. Exch.

Hall Signal.—*Letter sent stockholders by reorganization committee; under plan new Co. capitalized at $6,000,000, of which $2,000,000 will be 7% cumulative pfd. stock, $3,000,000 common, and $1,000,000 20-yr. debenture bonds, will be formed to take over property of old Co. Stockholders offered right to subscribe at $100 a share for new pfd. equal to 50% of holdings. With this they would receive common stock equal to present holdings. Large majority of stock already deposited with committee. New Co. will be assured of $1,000,000 fresh capital.

Harriman Lines.—*For April, Union Pac. reports gross earnings $300,000 ahead of last year, although net, after expenses and taxes, fell off less than $72,000. Southern Pac.'s gross was $337,000, and net fell off less than $53,000. For 10 mos. to April 30, U. P. suffered loss in gross about $2,800,000, and net decline of nearly $3,500,000. For same period S. P. reports decrease in gross of $1,578,000, which, with increased expenses, brought a decrease in net about $2,800,000. Other income in both Cos. for current fiscal year, will about duplicate 1911. On 10 mos. basis both Cos. should show in remaining two mos. increases over last year, U. P. should earn about 14% for common in 1912, and S. P. about 9.2%,

against 16.6% and 9.56% in 1911 respectively. Rail and equipment orders placed by Harriman Lines 1912-13 total about $14,000,000; freight car order is about 5,700. Of 178 locomotives, 148 go to Baldwin, and 30 to Am. Loco.; 126 passengers ordered from Pullman. In suit to be filed by government to recover 115,000 acres of oil land from Sou. Pac. Mr. Herrin reaffirms opinion of Mr. Lovett, that S. P.'s hold is absolute as to some 150,000 acres of oil lands, valued from $150,000,000 to $300,000,000, as all save about 6,900 acres were patented prior to 1905.

Hill Roads.—†In 10 mos. to end of April Burlington earned $21,702,000 net. This approximates $15 per share on capital stock, meaning that after regular 8% dividend, balance of about $7,500,000 remains. While part of surplus may be appropriated for betterments, surplus account will be benefited by $3,000,000 to $4,000,000. At close of 1911 fiscal year Burlington's accumulated surplus amounted to $87,138,000. At close of 1912 fiscal year it will no doubt exceed $90,000,000. Northern Pacific's share of this surplus is equivalent to $17.60 a share, while Great Northern's share is equivalent to $20.70.

Illinois Central.—†Practically all gross receipts absorbed by cost of handling business, and earnings continue far behind dividend requirements. In April it cost Co. 96c. to move a dollar of freight, thus while receipts totaled $4,248,759 only $145,780 was saved for net. Road apparently made small recovery from effects of shopmen's strike. Earnings indicate balance for dividends for entire year will not exceed 4%. Dividend will not be reduced at present, as management feels troubles of road are temporary.

Interborough.—*J. P. Morgan & Co. purchased $170,000,000 1st mortgage 5% 53-yr. gold bonds. Purchase contingent upon approval by court as to preferential payment of 8.76%, provided for in arrangement with City for new subways. Gain of $3,900 per day, or $121,000 for the mo., is slightly above average gain for previous 10 mos. For 11 mos. to June 1, gross revenue of N. Y.'s rapid transit system gained $1,286,000 over same period of 1911, or nearly $600,000 more than entire fiscal period ended June 30, 1911. It is safe to predict 17% for the stock this year, which compares with 14.69% last year.

Int. & Gt. Northern.—*An official states dividends on pfd. will no doubt be inaugurated this year. Annual dividends on $5,000,000 5% non-cumulative reorganization stock requires $250,000. In 6½ mos. after discharging receiver Mar. 31, Co. earned $869,000 over fixed charges, rentals and other obligations, or over 17% on pfd. Allowing for full 5% pfd. dividends, surplus earnings for little more than half year equal 10% on $6,500,000 common stock.

Int. Agricultural Chem.—*Co. has arranged to sell an issue of $13,000,000 5% 20-yr. bonds to retire present floating debt of about $8,500,000, and provide funds for development plans. Net result will be increase in working capital of $10,000,000, bringing that item up to between $13,000,000 and $14,000,000. Fertilizer business is one of long credits, and large working capital is necessary. Co. has been doing gross business of $13,000,000 to $15,000,000 per an.

International Harvester.—*Co.'s operations during fiscal year to Dec. 31 continued gain in foreign business, now 40% of Co.'s gross. They aggregated $42,300,000 in 1911, a gain of $8,119,000, or 23.7% over 1910, which in turn increased foreign sales 21.5% over 1909. Total gross $108,033,595 was 6.7% greater than 1910. Added to surplus account from 1911 earnings, this $7,321,397 brings that item up to $23,390,946, equivalent to nearly 30% on common. Adding $18,151,037 reserve accounts, in reality a potential surplus, there remains an undistributed balance of 52% belonging to common. Harvester's working capital requirements are large, because of liberal credits extended to farmers. At close of 1911, for first time in Co.'s history, net working capital passed $100,000,000 mark, with net quick assets of $103,235,782.

International Paper.—*Net earnings since Dec. 31 at rate of $225,000 monthly, and this average will be maintained until June 30. This makes surplus, after operating expenses and fixed charges for that period, equal to $1,350,000, increase $317,959, or 30% over net of previous 6 mos. Co.'s report for that period, published because of change in fiscal year, which now ends Dec. 31 instead of June 30. Should fiscal year end June 30, as formerly, surplus for $22,406,700 outstanding pfd. would be, on this estimate, $2,382,000, equivalent to 10.63%, and best earning power shown since 1903.

Int. Smelting & Ref.—*Income account for year to Dec. 31, 1911 compares as follows: Tolls for smelting and sales 3,442,259 in 1911, against $2,512,108 in 1910; net income $1,219,037 in 1911, against $1,002,191 in 1910; surplus $419,037 in 1911, against $202,191 in 1910. Profit and loss surplus in 1911 is $1,556,941, against $1.137,903 in 1910. Equal to $12.19 per share, as against $10.02 earned previous year. New contracts for silver lead ores make it necessary to build addition to plant, increasing capacity over 50%; appropriation authorized covering work.

Kansas City Southern.—*Should present net earnings maintain to June 30, Co.'s total income would approximate $2,725,000. From this deduct fixed charges, rentals, etc., $1,725,000 shows surplus approximately $1,000,000 for dividends. Paying 4% on $21,000,000 pfd. Co. would have $160,000 left for $30.000,000 common, or a little over ½ of 1%. This compares with 2.74% previous year, and 2.17% earned in 1910. Road in good physical condition, and prepared for large traffic.

Lehigh Valley.—*Co. will earn little more than 10% on $60,000,000 stock. Last year Co. earned fraction more than 14%, and year before upward of 20% on $40,000,000 stock then outstanding. In none of these accounts is calculated earnings of coal Co. In April Co. earned but $40,000 in excess of operating expenses and taxes, against $1,265,000 in April, 1911. June promises surplus over charges for 12 mos. will reach the $6,000,000 required for regular dividends.

Louisville & Nashville.—†Should Co. hold its own balance of year, it will earn fully 15%.—*Co. earned $1,000 gross per mile over entire system in April, or largest April in history. Policy has been to put back into property liberal sums, but 7% dividend is being earned twice over—†Shareholders will probably receive increased return through bonus or increase in dividends. This was virtually decided early in present year, but while earnings in fiscal year will be equivalent to $17 per share on common, and while surplus is equal to over $50 per share, management decides to defer dividend, or cut a "melon" until after presidential election.

Mo., Kansas & Texas.—†Co. is paying 4% per an. on $13,000,000 pfd. No reduction or passing of this is expected. Assuming May and June, 1912, result as favorable, surplus over pfd. dividends last year of $1,252,686, will be wiped out and a deficit result. Next semi-annual 2% not payable until Nov., and as pfd. requirements are small, any improvement in traffic should make up deficit.

Mo. Pacific.—*April shows gains in gross and net, even when 350 miles were under water in flooded district. Excluding two big years 1910 and 1907, gross revenues were heavier than any April in Co.'s history, and net heaviest with one exception, 1907. The 45% of gain in gross being saved for net, is good enough in such a year, but road is operated with greater efficiency. The $1,304,000 increased business was carried at $945,000, or 5.5% lower traffic and transportation cost. In real sense, net was $2,294,000 better than last year. Co.'s available income for 10 mos. amounted to only $10,600,000, with which to meet fixed charges of $12,600,000. Deficit for year will be about $2,000,000.

National Enameling.—*Treas. Steinhardt states business last 3 or 4 mos. particularly good. If orders continue as at present, directors in Aug. will probably declare dividend on the common. Co. will change fiscal year, now ending June 30, to correspond with calendar year. Dividends on pfd. have been declared up to and including June 30 of this year. Directors also declared a further dividend for last 6 mos. of year at rate of 7%, payable in two quarterly instalments of 1¾% Sept. 30 and Dec. 31, 1912, to bring dividend within operation of changed period.

National Lead.—†Co. has $24,367,600 7% cumulative pfd. stock. This may be retired at option of company at not less than par on 30 days' notice. Retirement of pfd. would benefit holders of common. Co. could replace pfd. stock with 5% 1st mortgage bonds, and save over 2% on common. It is rumored that retirement is now contemplated, but confirmation is lacking.

N. Y. Air Brake.—*With business 100% better than year ago, Co. will make up deficit of last year of $400,000 after dividends, and earn something additional on stock before resuming dividends. Co. has $10,000,000 stock, and paid no dividends since July 28, 1911. In calendar year 1911, Co.'s fiscal year, 4½% was paid, in 1910 3%, and nothing from 1907 to July, 1910. Abandonment of patent litigation under way between Co. and Westinghouse Air Brake. If compromise is effected, large saving in expenses for both would result. Co.'s legal expenses are $150,000 yearly, equal to 1½% on capital stock. Settlement would mean greater prosperity for both. Sharp advance in Co.'s stock attributed to prospective settlement.

N. Y. Central.—*Harlem stock sold at 400, while N. Y. Cent.'s standing offer is 350. Central owns outright 118,000 of the 200,000 shares. At annual meeting it voted these, and 14,000 additional. Assuming Central owns 132,000 shares, minority is 68,000 shares. At recent price of 400, equivalent to $200 per $50 share, apply to entire minority, Central would pay $1,700,000 over formal offer, making total cost $36,700,000, instead of $35,000,000. It is not supposed management will balk at two or three millions additional. Cen. is as well off as tenant on Harlem's ground as owner. But to utilize valuable "air rights" over terminal, Cen. must be landlord.

N. Y., New Haven & Hart.—*From statement for first three-quarters of 1912 fiscal year, it is possible to approximate results for year ended June 30, 1912. Indications are gross for first time in history of road will exceed $64,000,000, total operating expenses will be $41,510,204, an increase of about $611,572 over previous fiscal period, and total net, including income from other sources, will be about $33,121,396. Estimating fixed charges and taxes at $20,689,850, which is conservative, Co.'s balance for dividends would be $12,431,546, which falls short of 8% dividend requirement by $23,306. Last year full 8% dividend was unearned by $1,267,539. Defeat of New Haven-Boston & Maine merger bill in Senate does not surprise those in close touch with affairs.

N. Y., Ontario & Western.—*For current year to end of June, it is doubtful if Co will earn over 1% on stock. Suspension of coal mining responsible in large part. Net surplus after charges for 10 mos. $474,641, compared with $851,988 against April

year ago. Earnings since 1907 declined steadily from 2.85% to 1.96%, and now about 1%.

N. Y. Railways.—Co. files report for Jan. (1st mos. operation). Total street railway operating revenue for the mo. $1,083,669; net earnings after taxes, $287,729; other income, $31,520; total income, $319,249. Revenue passengers 20,750,869. Co. received $1,800,000 from sale of car barn on 4th ave. and 32nd st., property too valuable for car barns. (This Co. succeeds 3rd Ave. R. R.)

Northern Pacific.—*April statement shows increase of only $82,832 net earnings before taxes over April last, but was better than officials expected. System is in excellent shape throughout. May business runs about on par with year ago. There should be improvement in lumber business, which constitutes about 30% of N. P.'s total freight traffic. (See Hill Roads.)

Pacific Mail.—*Co. reports for year to April 30 last. Nov. 1, 1911, Co. purchased steamers for $4,212,784, for which notes were issued. Compared with preceding year, receipts from operation of steamers increased $390,031; rents and other collections at agencies decreased $85,309; and receipts from all other sources increased $10,641, making net increase $315,363. After usual charges for depreciation and general extraordinary repairs of steamers of $452,105, year's operations result in deficit of $9,082, against $199,276 for last year. Cash on hand April 30, 1912, $265,735, and current cash assets largely exceed liabilities.

Pennsylvania & "Panhandle."—*The Pitts., Cin., Chic. & St. L., known as "Panhandle," is owned by Penn. R. R., but vested in Penn. Co., and annual report shows Panhandle stock was $37,173,110 common, and $27,475,950 pfd., or total of $64,649,060, Penn. Co. owned $23,390,000 common, and $22,462,200 pfd, a total of $45,852,500. In 1911, Penn. Co. increased common holdings $1,481,000, and decreased pfd. $8,500. Proportion of control in Panhandle is greater than in any other important subsidiary.

Peoples Gas.—†Last annual report showed balance equivalent to $8.92 per share, against $9.01 in previous year, and as of Dec. 31 last, working capital, excluding materials, was about $3,500,000, which included cash on hand $3,475,000.—*Very close to 10% will be earned on the $35,000,000 stock this year. Public Service Co. of Northern Ill. has made final payment of $5,000,000 for 50,000 shares of Northwestern Gas stock at $200 per share, purchased from Peoples Gas interests.

Pere Marquette.—*Danger of forced foreclosure averted by granting authority to issue $3,500,000 receiver's certificates to go into property, excepting interest on bonds and interest falling due this year. More than half of receiver's certificates, about $1,800,000, will be devoted to payment of interest on underlying bonds. Remaining $1,700,000 used for improvement.

Pittsburgh Coal.—*Interests in close touch with Co. say that "in near future" Co. will pay off accrued dividends on pfd. stock and retire whole of pfd. issue at 120. Outstanding pfd. is $27,071,800, on which is due about 37% or $10,000,000 accumulated dividends. Plan, it is said, is to issue 5% debenture bonds. This involves increase in bonded indebtedness of about $42,500,000, and on 5% basis would increase annual charges $2,125,000. First 3 mos. last year Co. showed a deficit of $112,000. This year there was net surplus of $500,000. Proposed retirement of pfd. at 120 is on basis that pfd. shareholders be willing to sell their 7% cumulative pfd., and dividends of 37%, for 137 in 5% bonds, which should be worth 90, and give value of above 120 for Pittsburgh Coal pfd. now selling at about 92.

Reading.—*Directors at June meeting will be compelled, under provisions in pfd. stock certificates, to provide full dividend of 4% on each class, to be paid during year to June 30, 1913, from earnings of year ending June 30, 1912. Until this provision is made, no dividends can be paid on common stock. Dividends on two classes of pfd. requires $2,800,000, and for general mortgage sinking fund about $500,000 per year. A 6% annual dividend on common means $4,200,000, making total annual requirement $7,500,000. Reading Co. for 9 mos. shows surplus of $7,988,456, an excess of $488,456 over dividend and general sinking fund requirements. The position, while safe as regards dividend rate on common, warrants no immediate expectation of increased rate in next fiscal year.

Republic Iron & Steel.—*Co. completes second half of 1911-12 fiscal year June 30. Indications are Co. will show net for year about $2,600,000, which after fixed charges and depreciation, leaves equal to about 5½% on pfd. for year. Co. makes excellent showing, mills operated at 80% to full capacity since July 1, 1911. Unfilled orders June 30, 1911, amounted to 481,425 tons finished and unfinished steel, and 102,077 tons pig iron. Orders on books at end of current fiscal year expected to show further increase.

Seaboard Air Line.—*Present management credited with intention to put the $23,894,100 pfd. stock upon a 4% basis, possibly at end of 6 mos. Last year road earned more than 7% on this stock, not including $100,000 to $200,000 profits of water lines. May gross was indifferent, but between July 1 and May 15 gain was $1,010,300, or better than 5%. Receiver showed substantial earnings on stock. First year after reorganization to June 30, 1911, road not only earned full 5% interest on income bonds, but surplus of $1,707,900 additional.

The $23,894,100 pfd. is entitled to 4%, and after the $37,019,400 common is receiving 4%, pfd. gets another 2%.

Sears-Roebuck.—*Interests close to Co. look for gross business aggregating $80,000,000 to $85,000,000. Co. now gaining 20% in gross sales. The present plan is to give a 25% stock dividend, increasing capital from $40,000,000 to $50,000,000.

Southern Pacific.—(See Harriman Lines.)

Southern Railway.—*Monthly increase biggest for past two years. Gross for 10 mos. substantially larger than last year, and operating income also larger. Pfd. stock, a 5% non-cumulative issue, now pays 4%, and sells on 5.3% basis. Earnings better than 11.12% shown last year, while common stock earned about 3.01% in 10 mos., against 3.06% for previous full fiscal year.

St. Louis & San Fran.—*Ten mos. figures and present outlook indicate surplus for dividends about $500,000 to $800,000 below last year. A 'Frisco interest says, "We are thankful situation is no worse. We survived one of the severest winters, with snow at one end, coal strike in middle, and floods at other end." Co.'s earnings virtually depend on June results, on Chic. & Eastern Ill. dividends, and upon adjustments. Falling off in Chic. & Eastern Ill. net after taxes, amounting to $486,000 in 10 mos., may cause that Co. to show about 5% on common, after 6% on pfd. Smaller earnings in 1912 mean less for 'Frisco. Gain in June may allow 'Frisco $1,000,000 for dividends. 'Frisco pays dividends only upon 1st pfd. calling for $199,742. Co.'s final surplus is expected to be under $4,500,000.

St. Louis Southwestern.—*The $7,500,000 new 1st terminal 5% bonds, dated Jan. 1, 1912, due 1952, were recently sold to a syndicate. Pres. Britton says, in opinion of management surplus for present year, after payment of all fixed charges, will amount to about $1,700,000. Purchase of new terminals at $2,250,000, from proceeds of new bond sale, Pres. Britton says, "will be of great value. Physical condition of property excellent," and Co. has larger amount of freight cars, per mile of road, than any other in territory. Last year Co. earned for dividends $1,215,000; to close of Mar., present year, $1,551,000.

Texas Co.—†Decline in net in fiscal year ended June 30 last requiring reduction in dividends from 10% to 5% was due to lower prices for oil products. Predictions are that earnings will soon show gains over best previous records. Co. has $27,000,000 stock outstanding of authorized issue of $50,000,000. In last fiscal year balance equivalent to 10.01% was earned.

Texas & Pacific.—*Mr. Freeman estimates property's needs at $6,000,000, to be expended annually for 3 yrs. Co. charged $8,092,000 to earnings for improvements and extensions, which, less depreciation, represents all new money which went into property in 7 years. This explains why stock sells for 25c. on the dollar. New capital was denied, so it was compelled to create large floating debt while paying interest on income bonds, to help Mo. Pacific pay that Co.'s dividends, and since these payments were suspended in 1908, devoted part of surplus towards liquidating $6,000,000 floating debt, and about $2,000,000 has been paid off. In 10 mos. to April 30, Co. earned $1,040,000 in excess of full fixed and miscellaneous charges.

Tol., St. Louis & Western.—*In spite of Co. not receiving anything from holdings of Alton securities, indications are that Co. will close fiscal year better than predicted. Total income for 10 mos. was $605,926, while proportion of fixed charges was $816,262, or $120,337 more than earned. Increased amount expended from earnings on roadbed and rolling stock, make physical condition of road best in history. With no increase in capacity, Co. will take care of 25% to 30% more business.

Underwood Typewriter.—*Earnings for quarter to Mar. 31 last, are said to be over $500,000, or nearly 24% on common stock. Net in 1911 applicable to common was nearly 11%. In Dec. 31, 1911, Co. had surplus, exclusive of special reserve account, of $1,099,167.

Union Bag & Paper.—†Recent activity, while reflecting increased business, is indirectly effect of sale of $750,000 5% bonds, which retired all floating debt, and augmented Co.'s working capital. For year ending Jan. 31, 1912, Co. reported net earnings $1,056,590, after heavy charges for new construction, depreciation, etc., or $815,355 after all charges, equivalent to full 7% on $11,000,000 pfd. stock, with $45,000 remaining. Co. accumulated a surplus around $2,000,000, with net current assets over $3,708,000, which is equitable working capital for Co.'s business. There are 18½% accumulated dividends on pfd. It is hoped to increase pfd. stock dividend from 4% to 7% this year, gradually working off accumulation.

Union Pacific.—(See Harriman Lines.)

U. S. Rubber.—*Co. plans to give 1st pfd. stockholders right to subscribe at par for one share new pfd. for each 7½ shares of present holdings. Second pfd. holders get same right of subscription as 1st pfd., and in addition have privilege of exchanging for new pfd. on basis of 100 of old shares for each 75 of new. Common holders get 1 share of new common for each 5 they now hold, and have subscription privilege to new pfd. at 1 for 7½. This will give Co. $10,000,000 additional cash, bringing total outstanding stock to $87,500,000, of which $57,500,000 will be pfd. and $30,000,000 common. If Co. pays dividends at rate of 8% on new pfd. as it always did on 1st pfd.

issue, and 4% on common, as it did this year, it must earn after all fixed charges $5,800,000. In year just ended it earned for dividends $5,376,000, so to earn full surplus for dividends this year, it will have to earn its $10,000,000 additional capital yield or at least $424,000 or 4.24%. Stock Exchange received notice of proposed increase from $75,000,000 to $120,000,000.

U. S. Steel.—†Business continues in large volume, with orders averaging over 40,000 tons daily. Production over greater part of May has been between 40,000 and 45,000 tons daily, or highest in Corp.'s history. Unfilled orders May 31 were 5,750,903 tons against 5,664,885 on April 30. Unfilled tonnage now at highest since Dec. 31, 1909. Net earnings for the quarter are expected to be about $24,500,000, an increase of $6,675,000 over first quarter.

Wabash.—*Co. authorized and sold $11,000,000 receiver's certificates. Pres. Delano says $40,000,000 would place road in competitive position. It is assumed money secured will be from assessments. Receiver's statement from Dec. 26, 1911, date receivership began, to Mar. 31: gross $6,678,167; operating exp. $5,254,633; net opr. rev. $1,423,534; opr. income after ded. taxes $1,268,568. Adding income from outside operations of $169,331 and deducting $609,477 for track rental, interest and discount, hire of equipment, etc., shows $768,422 applicable to interest on bonds and receiver's certificates. Interest on bonds, equipment obligations, and proportion of interest due on receiver's certificates, $875,391, means a deficit of $106,969, exclusive of interest on 1st refd. 4% bonds, and road's 4½% gold notes, both totaling $377,270.

Westinghouse.—Operations for fiscal year to Mar. 31, last, shows nearly 6% earned on common, against 11¼% year previous. Directors expect to place stock on regular basis of 4% or 5% six mos. from date of initial payment. April orders exceeded any month in last fiscal period. Feature of last annual report was current working and trade assets totaling nearly $33,000,000, with current liabilities trifle over $3,000,000, leaving working balance about $30,000,000. Mar. 31, last, funded and floating debt totaled about $33,600,000. Therefore, total current working and trading assets were almost sufficient to wipe out all outstanding debt of property. This excludes $24,300,000 of investments held by Co. Profit and loss surplus exceeded $6,600,000.

Mining Stocks

This section of the Investment Digest includes some of the more important properties, in regard to which authentic and trustworthy information has appeared during the month.

Amalgamated-Anaconda.—*Dec. 31 Anaconda reports excess cash assets $16,189,108 but raise in price since should make Anaconda's working capital nearer $21,000,000. Amalgamated's interest in Anaconda's $21,000,000 is therefore, $15,435,000, which theoretically makes its own net surplus about $12,000,000. Moreover, Amalgamated owns 43,000 shares Int. Smelting & Ref. stock and 154,000 shares Greene-Cananea, worth at going prices $6,915,000, which are part of Amalgamated's cash assets as they were acquired for cash during past two years. Including both items Amalgamated's cash resources over current liabilities would be $19,000,000. Having secured every share of United Metal Selling Co. it becomes a part of Amalgamated. Latter is now not alone a holding Co., but is largest single factor in copper-selling industry. Butte Coalition was dissolved and assets distributed, Amalgamated receiving for 50,000 shares, 26,000 shares in Anaconda Copper Mining Co. and $223,000 cash. Combined statements of Amalgamated and Anaconda, shows financial position of Butte copper properties controlled by Anaconda. Year ended Dec. 31, last, Anaconda current assets, including deferred assets $23,114,310 and current liabilities $6,925,201, leaving excess $16,189,109. Current assets of Amalgamated and Anaconda combined, based on two last annual reports were, $38,795,867, current liabilities $13,478,705, leaving excess $28,317,162. Anaconda, it is safe to assume, added to surplus $3,000,000 within last five mos., making combined assets nearly $42,000,000 and excess assets over liabilities nearly $31,500,000. On basis of 17¼c. copper and a cost of 9c. per lb. Anaconda is earning $23,000,000 or more yearly. News of prospective increase in next dividend payable July 17, on which directors take action late June. Anaconda in past a liberal dividend payer. In 1906 paid $4.87½ per share, and in 1907 paid $6.50 per share when copper sold up to 26 cts.

Calumet & Hecla.—*Co.'s report for year to Dec. 31, shows fiscal year changed to correspond with calender year. During 8 mos. Co. produced 49,680,727 lbs. copper. Balance sheet as of Dec. 31, 1911, shows: P. & L. surplus $11,263,107, increase over 1911 $2,686,251. Directors voted to retire $1,000,000 10-yr. notes

Sept. 1, next. Retirement of notes is in addition to $1,700,000 5% 3-yr. notes due and paid Mar. 1, last. There will then be outstanding $5,819,000 callable at 102. Increase in dividend rate to $10 follows a $2 increase made previous quarter, when $8 was declared against $6 in Dec. 1911. In 1911 $24 was paid, $6 each quarter. Should present increase maintain remainder of year, total for 1912 would be $38. Co. is accustomed to change dividend rate to suit conditions.

Chino Copper.—†First quarter of 1912, with but two of five mills in commission, Co. reports output 160,400 tons yielding 3,271,980 lbs. Net average cost of production 7.68c. per lb. Net earnings from milling alone, based on 13.85c., were $198,871. Towards end of quarter quality of ore improved rapidly. With sections in full operation more than 1,000 tons per section treated daily, assuring to mill when in full operation more than 5,000 tons.

Goldfield Consol.—*Cut in dividend from 50 to 30 cents quarterly, reflects steady decline in profts for over year, April earnings being half those of year ago. Omitting extra dividend relieves Co. of heavy burden and reduces annual disbursement to about $4,270,000, which calls for earnings of around $356,000 monthly against $392,056 last month.

Greene-Cananea.—†Co.'s output for May, estimated between 5,000,000 and 6,000,000, is fully 1,000,000 lbs. better than April. Increased dividends on Greene-Cananea shares anticipated; earnings now $1.50 per share. Annual report soon to be issued will show net quick assets over $3,000,000. Last dividend of 25c. per share, a semi-annual disbursement, was paid Mar. 1st.

Granby Consol.—*Belated returns show production 1,941,797 lbs. copper in April, heaviest for over a year. Silver yield likewise heavy at 31,281 ounces. Gold recovery 4,619 ounces, against 4,912 in Mar. 1911. Basing operation on average of 15.7c. for copper and a continuance of a 10c. cost, Granby's net for April would appear to approximate $110,682.

Inspiration Consol.—†Stock now listed on N. Y. Stock Exch. Co. located in Arizona and aggregates 972 acres. In addition there are 160 acres ranch lands with water rights and also options on large tracts of land for a mill. Arizona Eastern R. R. extension within one mile of main tunnel. Over 7½ miles underground development complete, which exposes main ore body for 3,500 ft. and a width of 1,600 ft. Ore reserves estimated: developed 42,050,000 tons, averaging 2.01% copper; partially developed, 2,950,000 tons, averaging 1.85%; making a total 45,000,000 tons, averaging 2.00%. Balance sheet Mar. 31, 1912: accounts receivable principally from installments due on bonds, $4,244 964; cash in banks, $2,158,605. Estimated on 700 ton basis, production would be 75,000,000 lbs. per an. Cost of production placed at 8c. per lb. Based on all bonds converted, earnings on 17c. copper would be $7 per share.

Ray Consol.—†In first quarter of present year Co. produced 301,674 tons of average 1.7146% copper yielding 7,122,943 lbs. at average of 10.19c. Net profits $358,625. Preliminary figures for April indicate production of 117,000 tons and output 2,650,000 lbs. copper. —*Report says, under offer of exchange of stock made to Ray Central Copper Mining Co., Ray Consol. receives more than 1,850,000 shares of a total 1,900,000 shares of Ray Central stock and it is intended to acquire at once physical properties of that Co.

Tennessee Copper.—†Co. now earns $100,000 monthly, or $6 per share, justifying dividends of $4 a year. 1911 showed only $407,049, due to low price of copper during year, and fire in acid plant, with complete cessation for a mo., and impairing efficiency for two mos. Acid production now runs 200,000 tons yearly. Total copper production 13,808,940 lbs. at cost of 9½c. Co. may defer dividend, in which event extra disbursement will probably be made this summer. Directors think it advisable to disburse earnings in dividends as accrued, although point is undecided. From results this year, after allowing depreciation charges, and retirement of $150,000 of bonds, net profits are estimated between $900,000 and $1,000,000. Directors meet July 20.

Utah Copper-Nevada Consol.—†Increase of more than 900,000 lbs. in gross production of Utah Copper for April represents at present prices, and cost of 7½c. per lb., additional earnings of $930,000 per an. April production of 9,069,237 lbs. or about 109,000,000 lbs. per an. means a net production at rate of 103,000,000 lbs. per an. and an increase of 10,500,000 lbs. over 1911. Nevada Cons. controlled by Utah, from which it receives dividends of fully $1,500,000 per an., is now turning out copper at rate of 70,000,000 lbs. per an. against approximately 63,000,000 for 1911. Estimating copper at 16½c. and allowing dividends from Nevada Cons., Utah Copper's net output is about $6.70 per share. Utah should show steady increase in production from its Bingham Canon mines until capacity of 20,000 tons per day is reached. Production now expected to be averaging 140,000,000 lbs. per an., which at 16½c. copper and dividends from Nevada Cons. would approximate $8.75 per share.

Copper Notes. — †Copper Producers' statement shows decrease of 15,450,386 lbs., bringing stocks June 1 down to 49,650,643 lbs. Latter represents reduction in U. S. surplus of more than 116,000,000 lbs. with figure of June 1, 1911 approximately 166,000,000 lbs. 8 copper Cos. increase dividend rates this year. In addition, 2 made initial disbursements, and 3 increased rates twice.—*First four mos. of 1912 England, France, and others, including Germany (latter for first three mos.) consumed 265,914,680 lbs., an increase over 1911 of 39,733,000 lbs. or 17½%. Increase over 1910 was 67,000,000 lbs. or 33½%.

TRADERS DEPARTMENT

The Psychology of the Stock Market

VIII—The Mental Attitude of the Individual.

By G. C. SELDEN.

IN previous chapters we have seen that many, if not most, of the eccentricities of speculative markets, commonly charged to manipulation, are in fact due to the peculiar psychological conditions which surround such markets. Especially, and more than all else together, these erratic fluctuations are the result of the efforts of traders to operate, not on the basis of facts, nor on their own judgment as to the effect of facts on prices, but on what they believe will be the probable effect of facts or rumors on the minds of other traders. This mental attitude opens up a broad field of conjecture, which is not limited by any definite boundaries of fact or common sense.

Yet it would be foolish to assert that assuming a position in the market based on what others will do is a wrong attitude. It is confusing to the uninitiated, and first efforts to work on such a plan are almost certain to be disastrous; but for the experienced it becomes a successful, though of course never a certain, method. A child's first efforts to use a sharp tool are likely to result in bloodshed, but the same tool may trace an exquisite carving in the hands of an expert.

What, then, should be the mental attitude of the intelligent buyer and seller of securities?

The "long pull" investor, buying outright for cash and holding for a liberal profit, need only consider this matter enough to guard against becoming confused by the vagaries of public sentiment or by his own inverted reasoning processes. He will get the best results by keeping his eye single to two things: Facts and Prices. The current rate of interest, the earning power of the corporations whose stocks he buys, the development of political conditions as affecting invested capital, and the relation of current prices to the situation as shown by these three factors—these constitute the most important food for his mind to work upon.

When he finds himself wandering off into a consideration of what "They" will do next, or what effect such and such events may have on the sentiment of speculators, he cannot do better than to bring himself up with a short turn and sternly bid himself "Back to common sense."

For the more active trader the situation is different. He need not be entirely unregardful of values or fundamental conditions, but his prime object is to "go with the tide." That means basing his operations to a great extent on what others will think and do. His own mental attitute, then, is a most important part of his equipment for success.

First, the trader must be a *reasoning optimist*. A more horrible fate can scarcely be imagined than the shallow pessimism of many market habitués, whose minds, incapable of grasping the larger forces beneath the movements of prices, take refuge in a cynical disbelief in pretty much everything that makes life worth living.

Owing to the nature of the business, however, this optimism must be of a somewhat different character from that which brings success in other lines. As a general thing optimism includes the persistent nourishing of hope, an ag-

gressive confidence, the certainty that you are right, a firm determination to accomplish your end. But you cannot make the stock market move your way by believing that it will do so. Here is one case, at any rate, where New Thought methods cannot be directly applied.

In the market you are nothing but a chip on the tide of events. Optimism, then, must consist in believing, not that the tide will continually flow your way, but that you will succeed in floating with the tide. Your optimism must be, in a sense, of the intellect, not of the will. An optimism based on determination would, in this case, amount to stubbornness.

Another quality that makes for success in nearly every line of business is enthusiasm. For this you have absolutely no use in the stock market. The moment you permit yourself to become enthusiastic, you are subordinating your reasoning powers to your beliefs or desires.

Enthusiasm helps you influence other men's minds, but in the market you do not desire to do this (unless you happen to be a big bull leader). You wish to keep your mind as clear, cool and unruffled as the surface of a mountain lake on a calm day. Any emotion—enthusiasm, fear, anger, depression—will only cloud the intellect.

Doubtless it would be axiomatic to warn the trader against stubbornness. It cannot be assumed that any operator would consciously permit himself to become stubborn. The trouble arises in drawing the line between, on the one hand, persistence, consistence, pursuit of a definite plan until conditions change; and, on the other, stubborn adherence to a course of action which subsequent events have proved to be erroneous.

A day in the country, with the market forgotten, or if necessary forcibly ejected from the thoughts, will often enable the trader to return with a clarified mind, so that he can then intelligently convict or acquit himself of the vice of stubbornness. Sometimes it may become necessary to close all commitments and remain out of the market for a few days.

One of the most common errors might be described as "getting a notion." This is due to the failure or inability of the trader to take a broad view of the entire situation. Some particular point in the complex conditions which usually control prices, appeals to him strongly and impresses him as certain to have its effect on the market. He acts on this single idea The idea may be all right, but other counterbalancing factors may prevent it from having its natural effect.

You encounter these "notions" every day in the Street. You meet a highly conservative individual and ask him what he thinks of the situation. "I am alarmed at the rapid spread of radical sentiment," he replies. "How can we expect capital to branch out into new enterprises when the profits may be swept away at any moment by socialistic legislation?"

You say mildly that the crops are good, the banking situation sound, business active, etc. But all this produces no impression upon him. He has sold all his stocks and has his money in the banks. (He is also short a considerable line, but he doesn't tell you this). He will not buy again until the public becomes "sane."

The next man you talk with says: "We cannot have much decline with the present good crop prospect. Crops lie at the basis of everything. With nine billions of new wealth coming out of the ground and flowing into the channels of trade, we are bound to have prosperous conditions for some time to come."

You speak of radicalism, adverse legislation, high cost of living, etc.; but he thinks these are relatively unimportant compared with that $9,000,000,000 of new wealth. Of course, he is long of stocks.

"To make the worse appear the better reason," said Mr. Socrates, some little time ago. It is too bad we can't have Socrates' comments on Wall Street. The Socratic method applied to the average speculator would produce amusing results.

Beware of saying, "This is the most important factor in the situation," unless the action of the market shows

that others agree with you. Every human mind has its own peculiarities, so presumably yours has, though you can't see them plainly; but the stock market is the meeting of many minds, having every imaginable peculiarity. However important some single factor in the situation may appear to you, it is not going to control the movement of prices regardless of everything else.

An exaggerated example of "getting a notion" is seen in the so-called "hunch." This term appears to mean, when it means anything, a sort of sudden welling up of instinct so strong as to induce the trader to follow it regardless of reason. In many cases, the "hunch" is nothing more than a strong impulse.

Almost any business man will say at times, "I have a feeling that we ought not to do this," or "Somehow I don't like that proposition," without being able to explain clearly the grounds for his opposition. Likewise the "hunch" of a man who has watched the stock market for half a lifetime may not be without value. In such a case it doubtless represents an accumulation of small indications, each so trifling or so evasive that the trader cannot clearly marshal and review them even in his own mind.

Only the experienced trader is entitled to a "hunch." The novice, or the man who is not closely in touch with technical conditions, is merely making an unusual ass of himself when he talks about a "hunch."

The successful trader gradually learns to study his own psychological characteristics and allow to some extent for his customary errors of judgment. If he finds that he is generally too hasty in reaching a conclusion, he learns to wait and reflect further. After making his decision, he withdraws it and lays it up on a shelf to ripen. He makes only a part of his full commitment at the moment when he feels most confident, holding the remainder in reserve.

If he finds that he is usually overcautious, he eventually learns to be a little more daring, to buy a part of his line while his mind is still partially enveloped in the mists of doubt.

Most of the practical suggestions which can be offered are necessarily of a somewhat negative character. We can point out the errors to be avoided much more successfully than we can lay out a course of positive action. But the following summary may be useful to the active trader:

(1) Your main purpose must be to keep the mind clear and well balanced. Hence, do not act hastily on apparently sensational information; do not trade so heavily as to become anxious; and do not permit yourself to be influenced by your position in the market.

(2) Act on your own judgment, or else act absolutely and entirely on the judgment of another, regardless of your own opinion. "Too many cooks spoil the broth."

(3) When in doubt, keep out of the market. Delays cost less than losses.

(4) Endeavor to catch the trend of sentiment. Even if this should be temporarily against fundamental conditions, it is nevertheless unprofitable to oppose it.

(5) The greatest fault of ninety-nine out of one hundred active traders is being bullish at high prices and bearish at low prices. Therefore, refuse to follow the market beyond what you consider a reasonable climax, no matter how large the possible profits that you may appear to be losing by inaction.

The field covered by these chapters is to a great extent new. As it becomes more thoroughly cultivated, it may be possible to speak with more scientific definiteness. In the meantime, the author hopes that his comments and suggestions may be of some service in helping readers to avoid unwise risks and to apply sound principles of analysis to the investment or speculative situation.

Opening Prices

Does It Pay to Limit Orders Placed at the Opening?

EDITOR of THE MAGAZINE OF WALL STREET:

When a man decides overnight to close a trade, and possibly to reverse his position in the market, is it advisable for him to instruct his broker to buy or sell "at the market" on the opening?

An analysis of the following stocks from April 4, 1912, to May 25 inclusive, or 44 Exchange days, is shown in the table herewith.

The percentage appears to be very much in favor of the trader's waiting to get a better price than the opening, whether he is buying or selling. How much more should he wait for than the opening price? Possibly the condition of the market, its activity and volume at the time, is the single answer that can be made to the inquiry.

	SELLING		BUYING	
	Opening was highest price. No. of Days.	Went higher than opening No. of Days.	Opening was lowest price. No. of Days.	Went lower than opening. No. of Days.
Union	5	39	5	39
Steel	3	41	7	37
Reading	3	41	9	35
St. Paul	12	32	9	35
Amal. Cop.	6	38	10	34
Smelters	7	37	8	36

It should be borne in mind that many of the highs and lows are on single transactions by room traders, with quick advances or declines, but, of course, the odd lot trader would get his price if it was made on these rapid moves, provided his order was placed in advance, because the odd lots specialists would take it if the price went an eight beyond the trader's limit.

In your extended experience in the Street you have doubtless arrived at a conclusion on this question. O. D. LOTS.

[Ed. Note.]

The lesson to be drawn from your analysis seems to be this: When you want to buy, it is best to buy at the opening price, because you do not *know* that the stock will go lower, nor how much. Assuming that you have reason to believe that it is time to buy, is it worth while for you to risk losing your opportunity in order to save ⅛ or ½, or even one point, unless you are fairly certain that you will effect a saving? No one can expect to buy at the lowest or sell at the highest, except occasionally. All you can hope to do is to get a piece out of the middle of a movement.

Think back over your experience, and you will readily recall many instances when you have missed a move of 5 or 10 points owing to your placed and limited order a fraction away from the market price, in accordance with the idea of saving that ⅛, ¼ or ½.

Your table shows that four times out of five, these six stocks, during the period mentioned, went both higher and lower than the opening price; but you have no means of determining when this will occur, and as frequently happens, your stock may not do what you want it to at that particular time.

To repeat an illustration which we have frequently used: "If you want to go to Chicago, you must get aboard the train. It will do you no good to stand on the platform and see it pull out of the station."

The most satisfactory plan in the long run is to buy at least part of what you want at the market when you come to a decision that it is time to buy. Then if the market goes against you two or three points, you are in a position to average. This plan is followed in our Trend Letters. To be sure, we may not have an opportunity for averaging, but we safeguard ourselves against a three-point fluctuation by going in for a half-quantity at the market and averaging three points away.

Many people have difficulty in coming to a conclusion as to the market, but more have trouble in acting upon their decisions. We are putting it mildly when we say that most people get left on the big moves, because they do not have the courage of their convictions.

Notes on Office Trading

IV—The Unit of Trading and Its Management

MANY traders possess good judgment in deciding what commitments to make, and handle them well, technically, but pay little or no attention to the important point of the number of shares to be taken, nor appreciate the vital importance of strict regularity in this regard. They treat each trade as if it stood alone, and fail to regard it in its true light as part of a continuous series of similar transactions.

The outcome of any particular trade of a series cannot be foretold. Numerous separate, incidental losses are inevitable, also runs of losses in succession. Still more important are those periods, of greater or less extent, during which, although the numerical proportion of losses to profits may not be materially above the usual ratio, the average size of the profits will be below the average size of the losses, and in consequence the profit and loss balance will become more or less seriously impaired.

In an extended series of trades there is more or less uniformity as to the incidence of these conditions, and they must be taken into account and provided for, systematically.

In order to trade to the best advantage a trader must adjust his operations so as to conform to certain inevitable limitations:

1. He must not overtrade, otherwise he cannot continue trading *on the same scale* after experiencing a considerable setback.

2. He must not, on the other hand, overcapitalize, or he will make an unnecessarily small percentage on his capital. Having passed through a more or less prolonged apprenticeship, he will have expended considerable time and money in unmethodical, experimental trading, and it is of the greatest importance that he make the best possible use of his remaining time and capital.

He should, consequently, calculate his maximum probable liability to impairment of resources so that he can intelligently decide upon the most profitable size of his normal "unit of trading." To take too many shares per trade is overtrading, to take too few is overcapitalization. There is a certain best proportion between available funds and number of shares per trade in each case.

At first sight this might seem not to admit of anything beyond a rough guess within very wide limits. As a matter of fact, however, it is possible to make a fairly close estimate, provided a trader is operating methodically and continuously. By the time such a trader has accumulated records covering at least one year's operations he can use them in such a way as to arrive at an idea of his maximum probable risk, and thence deduce the proper size of his unit of trading. At first he will be obliged to make allowance for insufficiency of data, but each succeeding season will give him additional records, and he will be able to calculate more and more closely and with greater reason for confidence in his deductions.

I will describe my own way of doing this in some detail, so as to illustrate the method employed. I will also explain how I employ a variable unit of trading in certain cases. This latter idea would doubtless require modification in detail when used by other traders, but I have regulated my own operations by it for enough years to feel confident that it is correct in principle. I have found it decidedly profitable in practice.

Before I can decide upon the normal unit of trading with which to commence a season's work I must assign a certain sum to my stock trading business as capital, and it must be only such money as can be kept in the business for the whole season, if necessary. This is a vital point, as all subsequent operations are adjusted to it, and it is the only way of ensuring that I will be able to trade to my proper limit when the harvest time arrives, which may be, and sometimes will be, in the latter part of the season.

The next step is the ascertaining of the maximum probable risk, which can only be done by reference to records of actual experience in former seasons. I keep a running profit and loss record in the following form:

Trade No.	Profit	Loss	Aggregate Profit	Aggregate Loss	Deficit
63	⅜	....	27⅝	....	....
64	....	½	27⅛	....	½
65	....	⅞	26¼	....	1⅜
66	1⅛	....	27⅜	....	¼
67	....	1⅜	26	....	1⅝
68	....	1	25	....	2⅝
69	4½	....	29½	....	....
70	2⅜	....	31⅞	....	....
71	....	1⅜	30½	....	1⅜

These are my actual figures from January 1, 1912, to date (this is written January 27), and show very well what I spoke of, about a period during which the profits average less than the losses. I call the impairment of the profit and loss balance a "deficit."

Trade 63 established a new high mark for the season, and it is therefore underscored. The succeeding changes up to trade 68 result in varying amounts of deficit which is wiped out by trade 69, establishing a new high mark. The 2⅝ point deficit is not underscored because it is not the highest deficit of the season.

This particular extract from my record commences at a point where a profit-balance had been established; but trade 63 might have been the beginning of the season, in which case there would have been 2¼ points impairment of actual capital at trade 68.

I ought to explain that trades 66 and 69 were each in increased units (1½ units each) and the profit on the trades was ¾ point and 3 point respectively; but the results have to be entered in the record as if made on the normal unit. (I omit the "No. of shares" column, to save space.)

I summarize this record every season in the form given in the appended large table, which shows my results for the past eight seasons.

Note the following points:

1. Consecutive losses up to three in number are comparatively common; beyond that, quite rare.

2. The largest deficit made was 14¾ points.

3. The longest run of consecutive losses experienced was eleven, exceptionally. Seven such losses is the practical maximum.

The detailed record shows the following additional facts:

4. The average size of consecutive losses above three in number was almost always less than the average size of three or less, and in general the average size of losses in a run tends to diminish in proportion to the length of the run.

5. In three of the eight years a deficit has been established at the beginning of the season, and consequently the capital has been impaired.

In the season 1904-5 this impairment was 8⅝ points.

In the season 1908-9 this impairment was 6⅞ points.

In the season 1909-10 this impairment was 10¾ points.

In two other seasons a slight initial deficit occurred, neither being over three points.

6. On four occasions an "accident" overnight has caught me, once to the extent of 5⅞ points.

7. On seventeen occasions I had to take a loss in excess of my regular stop (not counting the four "accidents"), the largest of which was 3⅝ points, and the average of all seventeen was 2⅝ points, nearly. Such a loss occurred four times in one season and three times in one other season, but not more than twice in any other single season.

I have now mentioned all the bad things that have happened to me in the course of the eight seasons considered. Taking each class of happening at its worst, and adding together, we get:

7 "regular" stops caught (at full two points)..	14	points.
1 "accident" might cost an extra loss of.........	3⅞	"
4 excess losses (double average number)	2½	"
Total.............	20⅜	points.

This is, I am confident, a sufficiently exaggerated estimate of my probable maximum risk of loss. It is in the highest degree unlikely, for instance, that seven consecutive losses, if and when they occurred, would cost the full two points each. The one case in which they

did occur (in 1904) cost 10 points. Secondly, it is almost ludicrous to suppose that all these different losses would occur together in a bunch, and at the very beginning of a season, and dip into capital to the extent of 20⅜ points before any profit-money at all had accumulated.

It is, nevertheless, necessary to be prepared for a possible "first time," and to err liberally on the safe side. I consequently allow 20 points for my "working capital," in addition to margin, as the basis on which to calculate the size of my "unit of trading." Margin, of course, is not working capital, being merely a deposit with the broker. It has to be counted in, however, in settling the size of the unit of trading.

The result is that, allowing 10 points margin, I must make my "unit of trading" 10 shares for every $300 cash capital available at the beginning of the season. I consider that I am abundantly safe in working on this basis, because even if I do one day experience a deficit of more than 20 points, it is, for the reasons stated, hardly likely to come before I have made any profit at all. Up to now the maximum impairment of actual capital has been 10¾ points, although I have experienced a deficit of 14¾ points. However, it is of supreme importance to feel assured that I can keep right on trading, on the same scale, after encountering a setback, without approaching the limit of my resources too closely. Stock trading requires unlimited nerve, but no nerves, and "nothing is so demoralizing as a sight of the bottom dollar."

(To be continued.)

Changing Speculative Conditions

MY study of the market reveals that manipulation is being prosecuted in a very different way from what it was ten years ago, and I doubt the possibility of ever producing another year like 1907.

The law of "Supply and Demand" is, and always will be, the dominating influence on manipulation. Investment has been general and investors do not frighten easily. Therefore, on drives at the market little stock comes out. That tends to curb the force of drives and the extent of bear moves. Absence of large public speculation (by the mob) leaves no great incentive to bullish activity, and pools are ready to take moderate profits. This brings "supply" on top of moderate rallies.

The effect of these two items is to prevent long moves and create extended narrow periods. The lesson we may draw is that speculation becomes safer. After every long reaction we may buy (and on scale down of three points between trades); after every long rise we may sell (on similar scale) and be pretty sure of making money if we use patience and judgment.

The tendency of the market under modern conditions of contraction must be toward lower levels. Although this is a "bull country" and much of it still undeveloped, the next twenty years will see conservatism gradually gain mastery. Removal of excited speculation will cause settling to a conservative basis.

My belief is that 1906 saw the height of speculative prosperity, and that 1907 was the first plunge toward the bottom of definite conservative foundation; that the average high prices of stocks made in 1906 will not be reached again in many years; that the general tendency toward conservative bottom will continue till 1918 or longer. This does not mean we will not have bull markets. We had them in 1909 and from July, 1910, till July, 1911. Nor does it mean we will have great bear markets, but such as that which began July, 1911.—*Frank H. Tubbs.*

How They Trade

THE following extracts were selected from a large number of communications in which traders, large and small, gave their experiences.

I attribute my success to not overtrading, having learned valuable lessons on a small capital.

My margins are from 100 per cent. to not less than 20 per cent. in panics.

Profits average from seven to ten points; losses two to four. I trade for the long trend only.

My principal sins of omission and commission are overtrading and lack of patience. The latter has cost me more profits than all other errors combined.

I make my trades only after much thought and deliberation.

If the market does not turn my way in a short time I have an almost irresistible desire to get out of my trade. This is usually at a time when I should hold on.

The greatest loss I ever took was eighteen points. I now use a two-point stop.

Before I traded in a broker's office I was successful. Gossip in the office biased my judgment and I lost.

Once I used a mechanical method, but failed for lack of nerve.

I have traded for ten years and my profits amount to six times my losses.

My success is the result of Study, Patience and Sufficient Capital.

Ability to distinguish accumulation from distribution would help me more than anything.

My weaknesses are overtrading, lack of patience and being too cocksure.

I keep in touch with the market, because it is the best barometer of future business conditions.

Wall Street success is a matter of brains—not chance. All of its literature should help the individual to reach his own conclusion.

How to Sell Short

AS this magazine is constantly being put into the hands of new readers, many of whom are not familiar with the technical details of the market, we are frequently in receipt of requests for an explanation of the process of selling short.

A manufacturer of a certain line of goods is constantly selling short. He takes orders for a certain quantity of his output, although the goods are not yet made. Suppose it is something which involves cotton as a raw material; he makes a contract to deliver his finished goods on or about a certain date, then he buys the cotton with which to make them. He sells before he buys.

It is the same in stocks. If Union Pacific is 170 and you have reason to think it will decline to 160, you will simply say to your broker: Sell 100 Union Pacific at 170 for my account and risk. When the stock declines to 160 or to any other price you choose, you instruct your broker to cover your shorts, or in other words, buy.

In the stock market it makes no difference whether you sell first or buy first. Your aim is to sell at a higher price than you buy so that you will secure a profit. If your buying price is the higher, your trade results in a loss no matter whether you buy or sell first.

As to how the broker delivers for your account something which you do not own, we refer readers to volume 1, number 6, page 20; but the trader need not bother his head about this matter, which is the broker's concern.

When you are short of a stock which pays a dividend, your account is charged with the amount of the dividend, but this comes back to you in the form of a decreased market price. For instance, if you are short 100 Steel, which is selling at 70 when the books close for the dividend, your broker charges you with $125. The first sale of Steel ex-dividend would probably be 68¾ or thereabouts (depending on the strength or weakness of the general market), so that you would be neither ahead nor behind—your status would be unchanged. You would pay the dividend out of one pocket but receive it via the other.

The margins are usually the same on either long or short trades. No interest is allowed on the proceeds of short sales, but you are allowed interest on the amount of your margin.

INQUIRIES

This department is to answer miscellaneous questions in regard to the science of investment, method of operating, the customs of the markets, etc. It is intended for the use of subscribers only. Please write questions briefly and, if personal reply is desired, enclose stamped and self-addressed envelope. Address INQUIRY DEPARTMENT.

Excess Deposits.

I would like to know how you get at "excess deposits," as shown in your magazine.—E. A.

This always troubles new readers. Excess deposits as shown in our "Market Outlook" and in the table of "Essential Statistics," are based on the reports of clearing house *banks only*—not including the trust companies. You can get figures for the banks separately from the Monday *Wall Street Journal*, the Saturday edition of the New York *Evening Post*, and several other papers.

We use the banks only, so as to permit comparisons with past years before the trust companies were included in the clearing house.

"Toppy."

I have never seen in your magazine an explanation of the words "toppy" or "toppiness."—G. B.

A stock is said to look toppy when it appears unable to continue its advance. This is usually the result of a large quantity of stock for sale at a certain level and which buyers are not strong enough to absorb. A stock will generally recede in such a case, after which the buyers may be reinforced and gain buying power enough to take all the stock offered at that level and lift it higher. It is all a question of supply and demand.

Commission Charges.

An Indianapolis broker insists on charging me $5.20 for a round turn in 10 full shares of Reading. Is this fair and legitimate, and if not, can said broker hold 20 shares of Chicago Subway fully paid but not yet delivered, as security for extorting a double commission from me?—J. S.

The broker has a right to charge any commission he likes unless he is a member of the New York Stock Exchange, in which case he cannot charge *less* than one-eighth. Probably your broker has no New York Stock Exchange membership and is obliged to pay one-eighth himself. He therefore charges you one-quarter so that he can make one-eighth. The twenty cents is for tax.

As to whether he has the right to hold some of your other securities until this commission is paid, you had best consult a lawyer, but our advice would be, pay him what he asks and deal where you can get a lower rate in the future.

Dividends—Interest.

On March 31 I bought 10 U. P. at 170⅝ and on April 17 bought 10 more at 172⅝. On April 23 I sold both lots at 171⅛. My broker charges me interest at the rate of 6 per cent. and gives me no credit for accrued dividends. Now, what I want to know is, am I entitled to credit for accrued dividends and whether or not the rate of interest charged is excessive. Am sure my broker can get money from the banks for at least 4¼ per cent.—J. W.

The books on Union Pacific closed on March 2. Therefore, if you bought on March 31 and April 17, you are not entitled to the dividend. There are no *accrued* dividends on stocks except in very rare cases, such as when guaranteed stocks are bought and sold. Nothing of this kind attends transactions in Union Pacific or any of the standard stocks.

If you hold a stock at the close of the market on the day before the books close for the dividend, you are entitled to that dividend, not otherwise.

The rate of interest on odd lots is usually six per cent., especially in the case of out-of-town brokers. Your broker does not carry his Union Pacific with local banks, but with his New York correspondent, and odd lots cannot be carried in loans at as low rates as you see quoted for money. See back numbers of The Magazine of Wall Street for references to interest charges.

No Interest on Grain Trades.

I do not understand how brokers on the Chicago Board of Trade are able to carry long wheat or corn for their customers without charging any interest on the money which is tied up in the deal. I do not see why they are not under the same necessity of charging interest as the broker on the New York Stock Exchange. I have never seen any explanation of this point, and would be obliged if you would make it clear.—S. T.

This is an interesting question, and probably is fully understood by very few traders. The fact is that the speculative trade on the Chicago Board of Trade is not in grain, properly speaking, but in contracts for the future delivery of grain.

For example, if you buy through a broker ten thousand bushels of May wheat, you are really purchasing, not actual wheat, but a contract by a responsible broker to deliver to your broker ten thousand bushels of wheat on any day at his option in the following May. You buy the contract. It does not become wheat until actual delivery is made to your broker.

In the mean time, up to the month of May, when delivery is made, your broker does not have to carry any wheat for you. He carries the contract only, and this does not tie up any of his money, as he requires you to put up enough margin to protect the deal in case of a decline in price. Consequently he is under no necessity of charging you interest.

On the Stock Exchange the situation is entirely different. When you buy stocks, the certificate is delivered to your broker. He has to accept it and pay for it. He therefore charges you interest on the money required to make the purchase.

It was formerly the case, during a considerable period of years when grain was plenty and a large amount of it was stored in elevators in Chicago and elsewhere, that the distant futures always sold at a relatively higher price than the near futures. Thus the trader who bought wheat and carried it for a considerable time, changing from one month's delivery to another, was obliged, whenever the change was made, to pay a somewhat higher price for the next delivery. This amounted to about the same thing as interest, so far as the cost to him was concerned; and this difference in the price of the futures for different months enabled the elevators carrying grain in storage to make the storage charges by selling the distant futures against the grain in their bins.

For example, when the May future expired, the December future would be selling perhaps four cents higher than May, so that the elevators could make four cents a bushel carrying charges by buying back May wheat which they had previously sold, and reselling the same quantity of wheat for December delivery.

Of late years, however, this carrying charge has practically disappeared. In fact, from 1901 to 1905, the bears had to pay the carrying charges instead of the bulls. That is, the more distant futures, in most cases, sold lower than the nearby futures, instead of higher as used to be the case. Since 1905, the carrying charge has been on one side just about as often as on the other. The distant futures have in some cases sold as much as ten cents or more above the near futures, but it is equally true that at other times the near futures have sold ten or more cents higher than the distant futures.

Charts of Boston Coppers.

G. H.—Annual books of charts covering the fluctuations of Boston Coppers are available for the years 1907, 1908, 1909 and 1910. We do not know of any book of these charts covering the year 1911 nor any of the years preceding 1907. The price of the above numbers is $1.50, net. We can fill your order promptly.

Marconi Wireless.

I hold four shares of the Marconi Wireless Telegraph Company of America. It seems that they have been changed from par $100 to par $25, of which I have not been notified. And now it seems that they will be changed to par $5. Can the company compel me to change my four shares (par $100) to par $25 or par $5?—H. D.

No one can compel you to change your four shares of $100 par, but we believe it would be to your advantage to make this exchange from $100 into $25 par and from $25 into $5 par. After making the latter exchange, you also have the privilege of subscribing to new stock on advantageous terms.

Collateral Margin.

E. S.—Replying to your several inquiries:

(1) If you deposit a certificate of stock with your broker as collateral for a margin account, you do not, in any sense, lose title to this certificate. You have a right to sell it at any price you choose or to withdraw it and substitute other collateral. The price of the stock has nothing whatever to do with the matter.

(2) If you were carrying 100 Amalgamated bought at 80 and had deposited as margin, 20 shares of American Smelters, worth at the time 84 ($1,680), your broker would figure that you had $1,680 margin on 120 shares or 14 points. The 20 shares of Smelters must margin itself. No entry is made on the credit side of your account unless the Smelters or Amalgamated is sold. Therefore you are allowed no interest on the value of the Smelters, but its value is considered in estimating your margin.

(3) You are invariably entitled to all dividends on stock which you own outright or are carrying on margin, provided you are either long of it on your broker's books or have the stock in your possession on the day the books close.

Averages of Separate Groups.

It being the general rule that the leaders advance first, followed by (1) stocks selling above par, then (2) those selling below par, and finally (3) the low-priced issues, will you give me the names of three or four representative stocks in each of the three groups for the purpose of charting, to enable me to see at a glance the action of these different stocks? I don't want to use more stocks in each group than is absolutely necessary.—C. J.

There is doubtless a tendency in a bull market for stocks to advance in something like the order you give, but there are so many exceptions, and different stocks are

influenced by such varying conditions at different times, that we think it would be impossible to make up groups for the purpose of charting in the way that you desire.

For example, in the recent bull market Erie common, a low-priced issue, made an early and sharp advance, owing to the general dissemination of bull feeling on the prospects of this road. On the other hand, Lehigh Valley, a high-priced stock, and sometimes one of the leaders, was, in this case, almost the last issue to have a sharp advance.

We doubt if you can do any better in this direction than to judge the trend of the market by averaging the prices of ten leading active railroad stocks. Certain railroad issues and many industrials will move independently of the trend to a large extent, and for that reason it is necessary to consider the prospect of each individual company separately, in addition to observing the general trend of the whole market.

Listed $100 and $500 Bonds.

Could you print a condensed list of $100 bonds giving exact descriptions? I think a list of general railway issues and sound industrial issues of the $100 class would meet with favor.—R. M.

The following is a fairly complete selection of listed $100 and $500 bonds now obtainable:

LISTED $100 BONDS.

Approx. yield at current prices.

Government and Municipal.

Imperial Chinese Govt. 5's 1951 (r)....5.22
U. S. Govt. Panama Canal 3s 1961 (r)..2.85
New York City 4½'s 1957 (r).........4.08

Railroad.

Central Vermont 1st Gtd. 4's 1920 (r)..5.10
Chicago, Burlington & Quincy System—
Denver Extension 4's 1922 (c).......3.75
Chicago, Milwaukee & St. Paul System
Convertible 4½'s 1932 (c).............4.20
Chicago, Rock Island & Pacific System
Keokuk & Des Moines 1st 5's 1923(c) 4.60
Colo. & So. Refdg. & Ext. 4½'s 1935 (c) 4.55
Erie System—
N. Y. & Gr'nw'd Lake 1st 5's 1946 (c) 4.60
National Ry. of Mexico System—
Gtd. S. F. 4's 1977 (c)...............4.70
Prior Lien 4½'s 1957 (c)............4.95
New Orleans, Mobile & Chicago R. R.—
1st and refdg. 5's 1960 (c)...........5.33
New York, New Haven & Hartford System—
Conv. Debenture 3½'s 1956 (c)......3.78
Conv. Debenture 6's 1948 (r)........4.25
So. Pac.—San Fr. Term. 1st 4's 1950 (c)4.40
Southern R'way System—($200 only)—
Mobile & Bir. 1st 4's 1945 (c)........5.10
Mobile & Bir. Prior Lien 5's 1945 (c).4.68

Public Utility.

Am. Tel & Tel. Coll. Tr. 4% Ctfs. 1929 (c) 4.55
Kings Co. E. L. & P. Conv. Deb. 6's 1922 (c) 4.62
Underground Elec. Rys. Co. Ltd. of London 1st 4½'s 1933 (£20) (c)......4.70

Industrial.

American Tobacco Co.—
Liggett & Myers 5's 1951 (r)........5.20
P. Lorillard 5's 1951 (r).............5.15
Central Leather 1st 5's 1925 (r)......5.30
General Electric Deb. 3½'s 1942 (c)...4.20
International Steam Pump 1st 5's 1929 (c) 5.45
New York Air B. 1st conv. 6's 1928 (c).5.95

LISTED $500 BONDS.

Railroad.

Approx. yield at current prices.

Atchison, Topeka & Santa Fe System—
General 4's 1995 (c)..................4.00
Adjustment 4's 1995 (c)...............4.33
Baltimore & Ohio System—
First 4's 1948 (c) 4.00
Southwestern Div. 1st 3½'s 1925 (c).4.20
Central Vermont 1st 4's 1920 (c)......5.09
Chicago, Rock Island & Pacific System—
Rock Island, Ark. & La. 1st 4½'s 1934 (c) 4.95
St. Paul & Ks. C. Short Line. 1st 4½'s 1941 (c) 4.95
Delaware, Lackawanna & Western System—
Morris & Essex 1st 7's 1914 (c)......3.60
Denver & Rio Grande System—
Improvement 5's 1928 (c)...........5.10
Erie System—
1st Consolidated 4's Prior 1996 (r)...4.45
N. Y., L. E. & W. 1st Cons. 7's 1920 (c) 4.30
Illinois Central System—
Coll. Tr. Louisv. N. O. & T. 4's 1953 (c) 4.05
Louisville Div. Term. 1st 3½'s 1953 (c) 4.15
Long Island Refdg. 4's 1949 (c).......4.10
Minneapolis & St. Louis 1st 7's 1927 (c).4.30
Missouri, Kansas & Texas, 1st 4's 1990 (c) 4.10
Missouri, Kansas & Texas, 2d 4's 1990 (c) 4.85
Mo. Pacific 1st & Refdg. Conv. 5's 1959 (c) 5.60
Mobile & Ohio System—
General 4's 1938 (c).................4.75
St. Louis & Cairo Gtd. 4's 1931 (c)..4.45
Norfolk & West. Ry. 1st Cons. 4's 1996 (c) 4.00
Northern Pacific System—
Prior Lien 4's 1997 (r)..............4.00
General Lien 3's 2047 (r)............4.25
Pennsylvania Convertible 3½'s 1915 (c).4.03
Southern Pacific System—
First & Refdg. 4's 1955 (c)..........4.17
Central Pacific Coll. Tr. 4's 1949 (c).4.35
San Fran. Term. 1st 4's 1950 (c).....4.43

Southern Railway System—
Virginia Midland 5's 1926 (c)........4.35
Union Pacific System—
First & Land Grant 4's 1947 (c) & (r)3.88
First & Refdg. 4's 2008 (c)..........4.10
Convertible 4's 1927 (c).............3.65
Oregon Short Line 1st Cons. 5's 1946 (c) 4.30

Public Utility.

Michigan State Telephone 1st 5's 1924 (c) 4.77
N. Y. Telep. 1st & Gen'l 4½'s 1939 (c)..4.38

Industrial.

Adams Express Coll. Tr. 4's 1948 (c)...4.68
American Thread 1st 4's 1919 (c).......4.83
Pocahontas Cons. Collieries 1st 5's 1957 (c) 5.60
Niagara Falls Power 1st 5's 1932 (c)....4.70
U. S. Steel Sinking Fund 5's 1963 (r)....4.80

(r) Registered.
(c) Coupon.

Failures—Employment of Attorney.

Having been a subscriber to your magazine from the start I desire to ask for as full information as you can give me on the following questions:

(1) When a stock brokerage firm fails what steps should be taken by an out-of-town customer for the protection of his interests, and is anything additional advisable should the firm be finally declared bankrupt?

(2) In case it is necessary or advisable to place the claim in the hands of a lawyer, how can a person at a distance from New York secure the name of a competent and reliable lawyer to look after the claim and what is considered a proper arrangement for the compensation of such lawyer in the case of a small claim (say $1,000)?—C. L.

(1) It is advisable in most cases for the out-of-town customer to employ an attorney to look out for his interests. In case the firm is finally declared bankrupt, the attorney will take all necesary steps for you.

(2) Doubtless your local attorney would be able to put you in touch with a New York lawyer who would handle your claim satisfactorily. There are numerous such attorneys, of course, but we would hardly care to take the responsibility of making a definite recommendation. The compensation of the attorney would depend upon his standing and the value of his time.

For discussion of rights of customer when broker fails, see Vol. 5, p. 209, and Vol. 6, p. 93.

Readers frequently ask to be referred to responsible brokerage houses. In making such a request, please state what amount you have for investment, or in what sized lots you wish to deal. Also state what large city is located most conveniently to you, or if you have any preference in this regard.

We refer our readers only to such houses as we would consider safe custodians of our own funds, but of course can take no further responsibility.

The Figure Chart

The following figure chart completes the chart on page 108 of the July, 1910 MAGAZINE OF WALL STREET down to date given below. It is based on the daily average closing bid price of 20 standard railway stocks, and gives a general view of the course of the market since June, 1910:

June 22, 1910.			July 27.		Aug. 17.			Oct. 18.			Feb. 20, 1911.			June 7.					Sept. 27.			Nov. 23.					Apr. 20, 1912.			June 18.
														23	23	23														
														22	22	22	22										22			
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19*											19			19			19					19				19			19	19
18	18							18			18	18	18	18			18				18	18	18			18				
17	17							17	17		17	17	17	17			17				17	17	17	17	17	17				
16	16							16	16		16	16					16	16			16		16	16	16	16				
15	15				15			15	15		15						15	15			15				15					
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	13	13			13	13		13	13	13	13							13	13	13	13									
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	11		11		11	11	11												11	11										
			10	10	10														10											
			09	09	09																									
			08	08																										
			07	07																										
			06																											

*100 is subtracted from each figure in order to condense the chart. Thus 19 represents 119, etc.

Essential Statistics Boiled Down

THE figures below give a complete view of the financial and industrial situation, with the best available comparisons for the corresponding month (or nearest month obtainable) in each of the four preceding years.

	Average Money Rate Prime Commercial Paper New York.	Average Money Rate European Banks	Per Cent. Cash to Deposits, New York Clearing-house Banks.	Per Cent. Loans to Deposits, New York Clearing-house Banks.	Per Cent. Cash to Deposits, All National Banks.	Per Cent. Loans to Deposits, All National Banks.	Money in Circulation Per Capita First of Month.
June, 1912	3⅞	3½	26.9	95.8	.....	....	$34.61
May, 1912	4⅛	3⅝	26.1	97.2	.....	....	34.56
April, 1912	4⅛	4	25.7	99.2	103.3	16.3	34.45
June, 1911	3⅝	3⅛	28.1	95.7	105.3*	17.1*	34.70
" 1910	4⅞	3⅜	27.1	100.5	104.5*	16.0*	34.59
" 1909	3⅞	3	26.6	96.8	103.3‡	18.2‡	35.01
" 1908	4	3¼	29.4	94.3	105.5†	20.0†	34.75

*March. ‡April. †May.

	New Securities Listed N. Y. Stock Exchange (000 omitted)	Bank Clearings of U. S. (000 omitted)	Bank Clearings of U. S. Excluding N. Y. City. (000 omitted)	Balance of Gold Movements —Imports or Exports. (000 omitted)	Balance of Trade Imps. or Exports. (000 omitted)
May, 1912	$86,412	$14,883,285	$6,103,508	Ex. $1,104	Ex. $20,295
April, 1912	207,443	15,043,486	6,213,331	Im. 2,075	Ex. 16,565
May, 1911	69,266	13,524,593	5,565,969	Ex. 1,802	Ex. 23,338
" 1910	174,297	13,178,504	5,371,635	Im. 2,424	Ex. 12,245
" 1909	465,478	13,006,573	4,910,322	Ex. 8,907	Ex. 7,262
" 1908	138,876	10,868,844	4,199,011	Ex. 23,454	Ex. 29,567

	Gibson's Index Cost of Living.	Bradst's Index of Commodity Pcs.	English Index of Commodity Pcs.	Wholesale Price of Pig Iron.	Produc'n of Iron (Tons.) (000 o'td.)	Price of Copper (Cents).	U. S. Production of Copper (Lbs.) (000 o'td.)	U. S. St'l Co. Unfill. Tonnage (000 o'td.)
June, 1912	121.8	9.10	2687	$15.50	....	17.1	......	.....
May, 1912	122.7	9.27	2693	15.61	2,512	16.1	126,737	5,750
April, 1912	120.5	9.10	2791	15.50	2,375	15.7	125,464	5,664
June, 1911	105.8	8.53	2540	15.21	1,893*	12.4	126,962*	3,113*
" 1910	115.5	8.91	2411	16.80	2,390*	12.4	123,000*	4,257†
" 1909	114.4	8.39	2227	16.53	1,883*	13.2	118,000*	4,057†
" 1908	106.2	7.72	2188	16.62	1,165*	12.7	......	3,313†

*May. †June.

	Net Surplus of Idle Cars.	Building Operations, Twenty Cities.	Business Failures. Total Liabilities.	Crop Conditions. Winter Wheat.	Crop Conditions. Spring Wheat.	Crop Conditions. Cotton.	Babson's Average 10 Leading R. R. Bonds.
June, 1912	86,386	....	....	74.3	95.8	...	97.2
May, 1912	130,098	$59,434,953	$14,076,671	79.7	...	78.9*	97.6
April, 1912	18,708	63,068,298	15,974,064	80.6	...	...	97.9
June, 1911	166,970	42,663,880*	14,160,206*	80.4	94.6	87.8*	98.3
" 1910	126,497	51,775,655*	11,463,882*	80.0	92.8	82.0*	97.4
" 1909	277,274	66,211,000*	13,812,440*	80.7	95.2	81.1*	101.9
" 1908	349,567	35,458,000*	20,243,820*	86.0	95.0	79.7*	95.5

*May.

The Situation Summarized

[While an attempt is here made to divide the important factors into favorable and unfavorable, this classification is for convenience only. It should be fully recognized that the same factor may have a bullish effect in one direction and bearish in another, or may be bullish in its immediate influence, but containing dangerous possibilities for the future. Also, it would be impossible to strike a balance in this way, as one bullish factor might be so important as to outweigh all bearish considerations, or vice-versa.]

Favorable

Crops. Spring wheat outlook is well above the average, with possibilities of a bumper crop. Soil well supplied with moisture. Oats now show high condition and large acreage, but results with this crop depend largely upon harvesting conditions. Corn planted late, but under very favorable weather conditions. Fine hay crop and prospects for fruits excellent.

Steel mills running close to full capacity with large orders ahead. Prices hardening and prospect apparently good. Shortage of labor at Pittsburgh.

Pig iron production at new high record figures for the month of May. Price still low, but shows improving tendency.

Copper stocks continue to decrease at home and abroad and are now very light. Production so far shows but moderate increase and is not yet above normal. As a result of this situation, price of copper has advanced to 17¾ cents.

Money easy, both call and time, reserves satisfactory and excess deposits large. Considerable supply of temporarily idle capital, but investors hesitate to put it into securities freely. New York banks gaining money from the interior in unusually large volume for the season.

Railroad activity in the Far Northwest. Northern Pacific four-tracking in Washington, Great Northern extending lines, and St. Paul tunneling Cascade Mountains. N. Y., N. H. & H. proceeding with electrification New York to New Haven.

Cotton supplies and foreign trade. Small stocks of cotton on hand and a big export demand seem to assure continued good prices. The cotton situation is especially important because of its large influence on our export balance.

Rising commodity prices and increasing gold supply constitute both a bullish and a bearish factor, from different points of view—bullish as encouraging industrial enterprise, bearish as increasing the cost of living and of doing business. The bullish influence is perhaps more immediate than the bearish.

Good volume of business continues to be done, but mostly on a small margin of profit.

Unfavorable

Demand for capital. Heavy issues of new securities since January 1 at relatively high rates of interest. This means absorption of capital which might otherwise flow into existing securities. Further issues awaiting a market. New York subway will call for tremendous sinking of capital in temporarily unproductive channels. This scarcity of capital is also observable abroad, where some degree of "investment indigestion" is reported. British Consols lowest in 70 years.

High-grade bonds are hard to sell. High interest, short-term securities are necessary to bring out capital. Average price of railroad bonds now lowest for four years.

Politics. General uncertainty and apparent prevalence of radical and anti-corporation sentiment. Any strong agitation for change of existing system is unsettling.

Crops. Present indication is that the cotton crop will be below the average, but too early to estimate with accuracy. Winter wheat promises about 85 per cent. of average for last 10 years. Worst outlook for that crop since 1904.

Failures for May largest on record for that month with exception of 1908. Failures first five months of year have been unusually large in number, but total of liabilities is not especially heavy. Small business men are being crowded out.

Foreign. German financial conditions strained. Repeated warnings by Government commissioner and prominent bankers. Berlin reported bidding 5½ per cent. for 30-day loans in New York. Speculation in London again active.

Supreme Court adjourned without deciding anthracite case, thus prolonging uncertainty. Sharp advance in price of coal as a result of strike settlement is opposed by Federal Government and will increase popular dissatisfaction.

Net earnings of railroads running below last year, although general price level is much higher. Showing of net earnings in annual reports likely to be discouraging.

Labor troubles continue widespread. Lockout of three thousand men at Paterson, N. J.; strike of New York hotel waiters; street railway strike in Massachusetts; possibility of strike vote on Pennsylvania Railroad; strike vote by shop men of Western roads, involving 100,000 men. Some voluntary increases of wages in Mass. London dock strike a failure, however.

The Outlook

Some of the Factors Beneath the Surface of Current Events

By G. C. SELDEN

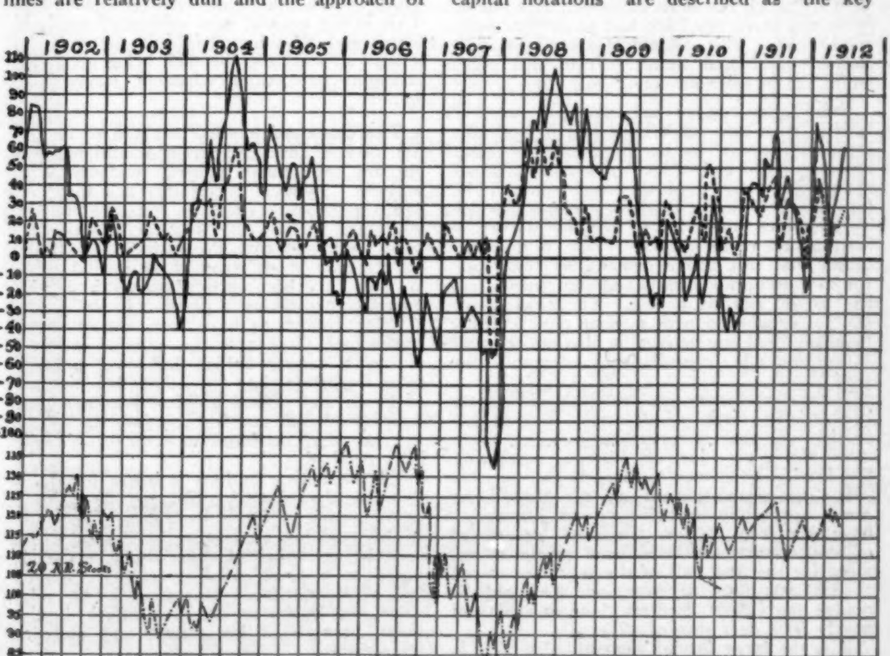
THE general course of railroad stocks for ten years is shown in chart form below. The last week given is that ending June 15, 1912.

The diagram also shows, in millions of dollars, the course of excess deposits and surplus reserves of New York clearinghouse banks (excluding the trust companies). The zero line represents equality of loans and deposits.

The line of excess deposits continues to show erratic and contradictory movements, reflecting the current unsettlement of business and political conditions. The rise of excess deposits in New York since April has been nearly as rapid as was the downward movement in February and March. Undoubtedly the spotted condition of trade has been the principal reason for this accumulation of funds in New York City. While the steel and copper industries are active, many other lines are relatively dull and the approach of the national conventions and of the political campaign has tended to increase the feeling of conservatism.

Movement of cash. The result has been that cash has moved toward New York in unusual volume for the season. Beginning with the week ending April 11, this return movement was heavier than at the corresponding season for five years, including even the dull year 1908. The slackening of interior retail trade and the unwillingness to invest money in local enterprises pending the political unsettlement of the summer, are the only reasons visible for this exceptional movement.

Timidity of capital. Unwillingness to invest idle capital or exhaustion of supplies for investment are, however, world-wide phenomena at this time. The highest grade bonds can be sold in New York only at concessions in price which would have seemed absurd a few years ago. In London "huge capital flotations" are described as "the key



—— Excess Deposits ------ Surplus Reserves. —·—·—·— Stock Averages.

to the financial position." Financial congestion is feared and a higher bank rate is expected later in the season.

"The chief feature of the Amsterdam market" also is reported to be "continued demand for fresh capital, which is putting a strain on the available resources of investors." The customary seasonal reduction of the official discount rate of the German Reichsbank was much later this year than usual, and reflected no real change in European money conditions. Many German bankers are inclined to indorse the sensational warning recently given by Director Von Gwinner of the Deutsche Bank. Wild speculation in certain industrial stocks has been a feature and the Government Commissioner who has charge of enforcing the Bourse law has expressed grave apprehension on this account. Reduced ability of the market to absorb new securities is generally commented upon.

Crops. The condition of American crops may be described as generally good, and the best of weather during the rest of the season might materially enlarge the yield. The winter wheat is now practically made, and the crop will be small, owing both to reduction of acreage and to low condition. Some of the acreage usually devoted to winter wheat was put into corn, and although the season is late, corn prospects are otherwise excellent to date. A good spring wheat crop is well under way, but it is too early to estimate final results.

An important feature is the fine hay crop, most of which has been gathered. All fodder crops and pasturage have had an exceptionally good year. This should mean eventually cheaper meat and butter. Fruit and vegetables are in splendid condition so far.

Steel and copper are showing greater activity than any other lines and in both the prospects appear to be excellent. A large volume of railroad orders explains to a great extent the activity of the steel trade. The railways held back orders as long as possible and were finally forced into the market by their actual requirements. There is no indication that this active demand by the roads for new equipment, rails and structural steel has as yet run its course. The roads have not yet caught up with normal requirements. Increased building activity is also noticed and a considerable miscellaneous demand for steel.

The extraordinary growth of steel exports is especially worthy of attention. This is due to the fact that American prices have been relatively lower than in Europe, permitting the foreign consumer to buy cheaper on this side. It is stated that one-quarter of the U. S. Steel Corporation's orders since January 1 have been from foreign consumers. Estimates of steel exports for 1912, based on the movement for the first half of the year, are placed at 3,000,000 tons or over, which would be double the export business done in 1910 and nearly 50% over that of 1911.

It is the large foreign demand, also, that is chiefly responsible for the rising price and shrinking stocks of copper metal. At this writing electrolytic is quoted at 17¼, though only a small business is now being done, as consumers have satisfied their immediate needs.

A renewed buying movement is predicted for the autumn months, but on this point opinions are divided. The bears say that the high price will cause a rapid increase in production. In fact, a steady increase in mine and smelter output has been in progress for a year, and this increase has not yet fully appeared in the output of the refineries. There must be some accumulation of blister copper on hand, but how great it would be difficult to say, as no reliable figures on this point are obtainable.

At any rate the present outlook is that still higher figures for copper metal will be made before production overtakes consumption. As is well known, the metal market is generally kept well in hand by the great copper interests and the price can be held up for some time, if desired, even in the face of increased production.

Business failures. The increase in the number of small failures during the first half of 1912 has attracted considerable attention. The meaning of it appears plain. The small business, with its inefficient methods and limited capital, can hold its own in a period of general prosperity, but lags behind in the race when unfavorable conditions are encountered. This is the natural outworking of economic forces and President Taft will certainly find it hard to stem the tide and bring about that return to competition which he seems to desire.

The stock market has seemed to be feeling its way amid conflicting conditions, without any pronounced general tendency at the moment. Political uncertainty has apparently had the effect of causing extreme dullness. The fact is that the political situation has been so mixed that the majority of traders have simply given it up as an insoluble puzzle and have been inclined to await developments before taking a position in the market.

Other conditions have been almost equally confusing. Of course the ease of money is always a strong bullish influence, generally more important than any other; but high cost of living and radical political sentiment have now introduced new features into the calculation, so that confused movements of prices have resulted.

The immediate outlook is better for the industrials than for the rails, as is brought out in the article, "The Railways and Their Cost of Living," in this issue. As this is written it looks as though Roosevelt had been eliminated as a presidential possibility. Regardless of the merits of the policies he has advocated, this impresses me as a bullish development, because of his erratic and mercurial temperament.